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TRADE AND DEVELOPMENT BOARD
Fortieth session
Second part
Geneva, 18 April 1994
Item 11(g) of the provisional agenda

INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

Review of the calendar of meetings

Note by the UNCTAD secretariat

1. The present note contains a draft calendar of meetings for the remainder of 1994 and an indicative calendar for 1995. These are based on the calendars approved by the Board at the first part of its fortieth session, and subsequently adjusted at consultations of the Secretary-General of UNCTAD on 17 January 1994.

2. The attached draft calendar for the remainder of 1994 contains certain suggested adjustments, as follows.

Intergovernmental Group of Experts on Iron Ore, third session

3. It is suggested that this meeting, previously scheduled from 26 - 28 October, commence two days earlier, in order to avoid overlapping with the ECE Steel Committee. It would thus be held from 24 to 26 October.

Ad Hoc Group of Experts on use of market-based risk management instruments in commodity trade

4. The Standing Committee on Commodities, in the agreed conclusions adopted at its second session, agreed to pursue work on the use of market-based risk management instruments through an Ad Hoc Group of Experts. It is suggested that this Group should meet just before the third session of the Standing Committee, that is in the period 26 - 28 October.

GE.94-51653

Symposium for Land-locked and Transit Developing Countries

5. General Assembly resolution 48/169, paragraph 12, invited the Secretary-General of UNCTAD to organize, in collaboration with the Administrator of UNDP and the Executive Heads of the regional commissions, a symposium in 1994 to address specific regional problems in implementing the recommendations of the Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial Development Institutions held in New York in May 1993.

It is suggested that this Symposium be held from 9 to 11 November 1994.

United Nations Conference on Natural Rubber, 1994, second part

6. At the closing meeting of its first part, on 15 April 1994, the United Nations Conference on Natural Rubber, 1994, requested the Secretary-General of UNCTAD to make arrangements to reconvene the Conference from 3 to 14 October, 1994, to enable it to complete its work.

UNCTAD CALENDAR OF MEETINGS 1/ 2/

A. Draft calendar of meetings for the remainder of 1994

	Date
Third Ad Hoc Review Meeting on Bauxite	2-3 May
Ad Hoc Working Group on Trade Efficiency, third session 3/	2-6 May
Commission on Transnational Corporations, twentieth session 4/	2-11 May
Special Committee on Preferences, twenty-first session	16-20 May
TRADE AND DEVELOPMENT BOARD, fortieth session second part (resumed), mid-term review (para. 68 of the Cartagena Commitment)	25-27 May
Intergovernmental Group of Experts on Economic Cooperation among Developing Countries	27 June - 1 July
Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries, fourth session	4-8 July 5/
STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: Insurance, second session	4-8 July
STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: Shipping, second session	11-15 July
STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES, second session	18-22 July
STANDING COMMITTEE ON POVERTY ALLEVIATION, second session	25-29 July
Working Party on the Medium-Term Plan and the Programme Budget, twenty-fourth session	12-16 September
TRADE AND DEVELOPMENT BOARD, forty-first session, first part	19-30 September
United Nations Conference on Natural Rubber, 1994, second part	3-14 October
United Nations International Symposium on Trade Efficiency 6/	17-21 October
Intergovernmental Group of Experts on Restrictive Business Practices, thirteenth session	24-28 October
Intergovernmental Group of Experts on Iron Ore, third session	24-26 October
Ad Hoc Group of Experts on Risk Management in Commodities Trade	26-28 October
STANDING COMMITTEE ON COMMODITIES, third session	31 October-

	4 November
Intergovernmental Group of Experts on Tungsten, third session	7-9 November

Draft calendar of meetings for the remainder of 1994 (continued)

	Date
Symposium for Land-locked and Transit Developing Countries (General Assembly resolution 48/169)	9-11 November
STANDING COMMITTEE ON ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, second session	14-18 November
Joint Advisory Group on the International Trade Centre UNCTAD/GATT 4/	(1 week in November)
Joint UNCTAD/IMO Intergovernmental Group of Experts on Maritime Liens and Mortgages and Related Subjects	5-9 December

B. Indicative calendar of meetings for 1995 7/ 8/

STANDING COMMITTEE ON POVERTY ALLEVIATION, third session	27 February-3 March
Intergovernmental Group of Experts on Restrictive Business Practices, fourteenth session	6-10 March
Working Party on the Medium-Term Plan and the Programme Budget, twenty-fifth session	13-17 March
TRADE AND DEVELOPMENT BOARD, forty-first session, second part	27 March-7 April
Joint Advisory Group on the International Trade Centre UNCTAD/GATT 4/	(1 week in April)
STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: Shipping, third session	24-28 April
Special Committee on Preferences, twenty-second session	1-5 May
STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: Insurance, third session	29 May-2 June
Working Party on the Medium-Term Plan and the Programme Budget, twenty-sixth session	28 August-1 September
TRADE AND DEVELOPMENT BOARD, forty-second session, first part	11-22 September
High-Level Meeting on the Mid-term Global Review on Least Developed Countries (General Assembly resolution 48/171)	25 September-6 October

STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES, third session	9-13 October
Intergovernmental Group of Experts on Iron Ore, fourth session	25-27 October
STANDING COMMITTEE ON COMMODITIES, fourth session	30 October-3 November

Draft calendar of meetings for the remainder of 1994 (continued)

B. Indicative calendar of meetings for 1995 7/ 8/

	Date
Intergovernmental Group of Experts on Tungsten, fourth session	6-10 November
Third United Nations Conference to Review All Aspects of the Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (para. 17 of the resolution adopted at the Second Conference - annex to document TD/RBP/CONF.3/9)	13-24 November
STANDING COMMITTEE ON ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES, third session	27 November-1 December

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Ad Hoc working groups	As required (up to 16 weeks)
Commodity conferences and other commodity meetings (1994-1995)	As required (up to 24 weeks)
Working parties, study groups and expert groups (1994-1995)	As required (up to 20 weeks)

Notes

1/ Unless otherwise indicated, all meetings will be held in Geneva. All meetings listed are subject to a written notification, which is normally dispatched six weeks before the opening date.

2/ The Board will meet in short one-day or half-day executive sessions at the level of Permanent Representatives immediately before its regular sessions, and periodically in between.

3/ With the possibility of an extension until 11 May, subject to resources being available.

4/ Listed for information.

5/ Requested by the Group to be held in June 1994.

6/ To be held in Columbus, Ohio, United States of America.

7/ The Commission on Transnational Corporations, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, and the Commission on Science and Technology for Development will meet in Geneva in 1995 on dates to be determined.

8/ Consideration would need to be given to the timing of UNCTAD IX. It is recalled that UNCTAD VIII was originally scheduled to be held in the Summer of 1991, but practical problems regarding the hosting of the Conference resulted in its being held in February 1992. Rule 1 of the rules of procedure of the Conference provides: "The United Nations Conference on Trade and Development ... shall normally meet at intervals of not more than four years."

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TRADE AND DEVELOPMENT BOARD
Fortieth session, second part
Geneva, 18 April 1994

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTIETH SESSION

Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

INTRODUCTION

GENERAL DEBATE

Speakers: President
Officer-in-Charge of UNCTAD
Chile (for Group of 77 and China)
Greece (for European Union)
United States of America

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 6 May 1994 at the latest to:

The UNCTAD Editorial Section
Room E.8106
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INTRODUCTION

1. In his opening statement, the **President** reiterated the sentiments he had expressed at the fifth (pre-sessional) executive session of the Trade and Development Board, on 8 April 1994, in paying tribute to Mr. K.K.S. Dadzie, whose term as Secretary-General of UNCTAD had come to an end on 31 March 1994.

2. The current session of the Board was taking place against a backdrop of major historical and international events. The signing of the Final Act of the Uruguay Round in Marrakesh, Morocco, on 15 April 1994, manifested the determination of the international community to maintain an open multilateral trading system, which was a matter of prime importance to all countries. The results of the Uruguay Round had substantially transformed the multilateral trading system and the acceptance of the Final Act meant that all members now assumed a more uniform set of rights and obligations to meet the challenges and opportunities of the twenty-first century. It had resulted in a rule-based system to govern international commerce in goods and services, it had integrated areas of international economic relations henceforth within the scope of the trading system and had reaffirmed the efficacy of multilateralism.

3. The Agreement Establishing the World Trade Organization and the Cartagena Commitment of UNCTAD VIII clearly delineated the functions of the two organizations. UNCTAD's functions covered policy analysis, intergovernmental deliberations, consensus-building and negotiations. UNCTAD had the competence and capacity to provide constructive approaches and viewpoints, and to generate political impulses in areas of trade and development to be considered by institutions, such as the new WTO, vested with the contractual powers of decision and rule making. The Uruguay Round concentrated on arriving at detailed, workable disciplines in areas which had become major sources of tension in trade relations, both traditional and new. However, newer issues were giving rise to fresh tensions which would have to be addressed in the near future. It was generally recognized that UNCTAD had made an important contribution to the Uruguay Round negotiating process, both through its analysis of issues and its technical assistance to developing countries. It could make a further constructive contribution to the definition of the post-Uruguay Round agenda through its analytical capacity, its consensus-building and its technical assistance programmes. This would be a clear manifestation of the complementarity between the WTO and UNCTAD, which should help developing countries to participate actively and effectively in the international trading system in the years to come.

4. In addition to the agenda item on the Uruguay Round (item 3), there were several other highly important topical items on the Board's agenda. Trade with

economies in transition had in the past been an important segment of the international trade of many countries, and had frequently been complemented by important industrial, investment, technological and financial cooperation. Most of these traditional relationships had been seriously affected by the transformation process of major partner countries in transition. The Board, in its review and evaluation of the transition process, could identify new opportunities arising for trade, industrial and technological cooperation for the mutual benefit of developing countries and countries of Central and Eastern Europe. The Board would also be considering the theme of sustainable development, and the effects of internalization of external costs on sustainable development, under its mandate in the follow-up to UNCED. This topic was currently at the cutting edge of research and debate and its discussion presented UNCTAD with an opportunity and a challenge.

5. He recalled that the Special Sessional Committee, in addition to carrying out the annual review of progress in the implementation of the Programme of Action for the LDCs, would also address the preparatory process for the Mid-term Global Review (September 1995) called for under General Assembly resolution 48/171 of 21 December 1993. Thorough and adequate preparations for this important event called for high-level and effective participation by both LDCs and their development partners in the preparatory meetings and the Mid-term Global Review itself. As with any development strategy and policy, the success of the Programme of Action would depend on the effectiveness of its implementation and follow-up. The annual review process and the Mid-term Global Review should enable the international community to assess the progress made in fulfilling the commitments undertaken by the LDCs and their development partners and to agree on new policies and measures to ensure the timely and effective implementation of the Programme of Action during the rest of the decade.

6. Recalling the objectives of the United Nations New Agenda for the Development of Africa in the 1990s, he observed that, in spite of very significant changes in policy stances and comprehensive programmes adopted by African countries to address the problems of growth and stability, Africa remained the poorest among the developing regions. Both the African Governments themselves and the international community, which had supported Africa's new approaches to economic management, had signified their intention to intensify their efforts to find practical, realistic and sound solutions to the daunting problems faced by the region. This had been done at the level of the General Assembly itself, at UNCTAD VIII and in the Trade and Development Board. The Board's consideration of this agenda item thus represented a further effort in

UNCTAD's continued search for, and contribution to, a resolution of the region's problems.

7. The structures and working methods for UNCTAD decided upon at Cartagena had been in operation for two years now, during which time considerable progress had been made in every respect and the experience gained should enable the Board at its resumed session in May 1994 to draw some useful lessons in the context of the mid-term review. The experience so far clearly indicated that the reforms adopted by UNCTAD VIII had been well translated into a more effective way of doing business in UNCTAD. The new processes had made it possible for deliberations to be concluded expeditiously, with more time spent on intergovernmental reflection and interaction on matters of substance. One successful initiative had been the regular and active participation of high-level officials from capitals, of representatives of international organizations and of invited experts in informal discussions on all the substantive issues taken up. These contributions had been supplemented by country presentations on national experiences with policies in many of the subject areas discussed, in conformity with the emphasis placed by the Cartagena Commitment on the exchange of such experiences. As a result, the technical and policy content of the discussions had been considerably enhanced, and the pragmatic and non-confrontational approach which had characterized all meetings had facilitated the search for areas of convergence.

8. Taken together, the measures adopted to increase the efficiency of the intergovernmental bodies of UNCTAD had upgraded the capacity of the organization to seize the new opportunities to foster international cooperation for development and, in particular, to promote international consensus on principles and strategies for policy action at the national and international levels in order to enhance the development prospects of member States. The changes that had taken place in UNCTAD represented also an important response to the reform of the economic and social sectors of the United Nations. After 30 years of existence, UNCTAD continued to be a vibrant element in the United Nations system with a clear and evolving role to play in the field of trade and development.

9. The **Officer-in-Charge of UNCTAD** said that the signing of the Final Act of the Uruguay Round at Marrakesh was a historic milestone that would have important repercussions for UNCTAD's work. The Final Act contained the premises for a radical transformation of the multilateral trading system. By accepting rigorous multilateral disciplines and a degree of erosion of differential and

more favourable treatment, some developing countries might face a substantial contraction in the policy options and instruments open to them, and the LDCs in particular might be particularly hard hit. The international community should therefore agree that no country should be worse off as a result of the Uruguay Round agreements, and concrete programmes should be introduced to assist individual countries to neutralize short-run adverse effects and derive sustained benefits from the post-Uruguay Round trading system. Support from the international community was essential - especially UNCTAD's well-tried technical cooperation - to help the developing countries master the complex web of new mechanisms and instruments embodied in the Final Act. UNCTAD's work on trade efficiency was also relevant in this regard.

10. As the President had stated, the respective roles and functions of the WTO and UNCTAD were already clearly delineated. The complementarity of the tasks to be undertaken by the two organizations should be ensured, since there was a demonstrated need for UNCTAD to complement the role of the GATT/WTO in its negotiating processes and its legal framework. UNCTAD provided a global forum within the United Nations for all countries to participate in the policy debate and consensus-building on development and interrelated issues in the areas of trade, commodities, finance and investment, services and technology. This process had already begun in trade and environment, as well as on Agenda 21, where the focus of UNCTAD, as the Task Manager for the whole United Nations system, was quite distinct from that agreed for the WTO's work on this issue. UNCTAD could also make a distinct contribution on the relationship between existing international trading rules and national competition policies, where the experience and expertise it had accumulated on RBPs would be very valuable. UNCTAD had the further task of helping to strengthen the foreign trade sector of its member countries, and the support of the International Trade Centre UNCTAD/GATT would serve as a further link between UNCTAD and WTO.

11. Reporting on the discussions which had taken place so far in the Mid-term Review Informal Working Group, he observed that UNCTAD had succeeded in incorporating new focuses in its work in the wake of Cartagena, notably in the emphasis laid on the national dimension and the need for national economic policy reform in the developing countries. Many countries felt that the time had come to advance further in the "dynamic and progressive sequence" called for in the Cartagena Commitment towards consensus-building and more policy and action-oriented deliberations leading, wherever possible, to agreement on implementable commitments.

12. Experience with the ad hoc working group mechanism had been overwhelmingly positive, but the following aspects called for attention: problems relating to full and equitable participation of the developing countries and especially of the least developed countries; the large number of working groups set up after Cartagena and their over-ambitious mandates; the need to eschew duplication, both within UNCTAD and vis-à-vis other organizations, while allowing some scope for productive complementarity. Consequently, it was generally felt that the present five Ad Hoc Working Groups should be wound up, to be succeeded by three others. These, moreover, should have sharply focused mandates and be given more realistic and achievable objectives. There was also a need for fewer meetings as well as for more manageable agendas and less documentation. As for the topics to be dealt with by the new Groups - in addition to the one on structural adjustment for the transition to disarmament - several possibilities had been put forward, including trade and environment, trade as a general issue, enterprise, technology related to trade, and integration and regional cooperation. However, in view of the increasingly tight resource situation of the UNCTAD secretariat, it would be necessary to establish priorities and work programmes that were compatible with the work capacity and resources of the secretariat.

13. Commenting on the other items on the Board's agenda, he said that under item 2 attention should be given to ways for overcoming the difficulties in mutual trade and industrial relations among economies in transition, and in particular among the CIS member countries. Likewise, trade and industrial cooperation between economies in transition and developing countries had suffered during the transition process. It was necessary to strengthen national policy instruments and cooperative arrangements to enable countries to exploit the new opportunities that would arise when the economies in transition resumed economic growth. Full and equal participation of the countries in transition in the post-Uruguay Round trading system was a prerequisite for the success of the process of transition. International support could make a major contribution in this respect.

14. Regarding the effects of the internalization of environmental costs on sustainable development (item 4), he outlined the main thrust of the secretariat report on this subject (TD/B/40(2)/6) and pointed out that the developing countries could lose competitiveness by internalizing environmental costs in the prices of their products. The need for international cooperation was therefore particularly great in this area.

15. As for the review of progress on the Programme of Action for the Least Developed Countries for the 1990s, he stated that the informal meetings of the Special Sessional Committee would be attended by a number of Ministers from LDCs as well as experts from LDCs and OECD countries. He trusted that, in formulating the preparatory process for the Global Mid-term Review, the Board would agree on a recommendation for submission to the forty-ninth session of the General Assembly on the twin questions of the preparations for the Mid-term Global Review and of ensuring adequate participation by the LDCs.

16. Regarding agenda item 6 on UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s, he stated that a number of measures would be necessary in view of the continued economic decline and civil strife in that continent. These included the need to boost inflows of foreign direct investment into Africa and to stimulate domestic resource mobilization. There was also a need to enhance Africa's awareness of those factors that still inhibited investment and to propose ways of effectively alleviating such constraints, as well as to raise the awareness of the business community of the investment opportunities which nevertheless existed in Africa.

17. Finally, on the Board's policy review of UNCTAD's technical cooperation activities, he said that the excellent report prepared for this purpose by the consultants, Dame Margaret Anstee and Mr. Leelananda da Silva (TD/B/40(2)/14) provided practical recommendations for strengthening UNCTAD's technical cooperation activities and integrating them into all relevant areas of UNCTAD's work, as agreed in the Cartagena Commitment. As the consultants noted, however, these goals could not be attained by action within the secretariat alone. Member States themselves, both developed and developing, had a key role to play in providing both political support and increased extra-budgetary financial contributions.

18. The spokesman for the **Group of 77 and China** (Chile) said that, with the signing of the Final Act of the Uruguay Round in Marrakesh and the agreement to establish the World Trade Organization, UNCTAD had become even more relevant as a forum of 30 years' standing for policy analysis, dialogue and negotiations that took into account the special interests of the developing countries on trade and development. Indeed, UNCTAD continued to play a pivotal role in the efforts of developing countries to raise their standards of living. Developing countries were still faced with rapidly rising populations, declining export incomes, increased foreign debt and debt servicing, and growing food import dependence, not to mention the many natural disasters that befell these

countries. The success of the developing countries' own policy reforms and efforts to improve their trading performance depended critically on adequate international support, including intensified cooperation from developed countries to promote technology transfer and foreign investment, especially in favour of the LDCs. In this context, he observed that the initial restructuring of the foreign trade patterns of economies in transition had led mainly to a rapid increase in trade with developed countries, and only a very few developing countries had participated. He emphasized that the financial resources devoted by developed countries to the economic development of the economies in transition should be additional and should not prejudice the normal flow of resources to developing countries.

19. Since the conclusion of the Uruguay Round in December 1993, the developing countries had been calculating their gains and losses. Some had gained more than others, but some of the poorest countries had not gained at all. Developing countries had already paid the price of accepting the new terms without obtaining in exchange satisfactory conditions of market access. The question lingered as to whether the Final Act of the Uruguay Round represented a real victory for development, notwithstanding its reaffirmation of the efficacy of multilateralism. The substantial contraction of policy options and instruments open to developing countries posed new challenges to their policy-makers. The Board has been requested to analyse and assess the outcome of the Uruguay Round, in particular in areas of interest and concern to developing countries, and its impact on the international trading system. The Board should also examine the problems and opportunities that the developing countries faced in expanding their participation in international trade in goods and services in the 1990s and beyond. In addition to this overall systemic analysis, UNCTAD should also provide support to developing countries in the implementation of the Uruguay Round results and in analysis and consensus-building with respect to competition policy, new issues such as services, trade and environment, technology and investment.

20. On the questions of environmental protection and sustainable development, the Group of 77 and China recognized that these were collective responsibilities. However, the assistance called for under Agenda 21 had not been forthcoming. When millions lived in crushing poverty and lacked even the essentials of a decent life, development policies must take precedence over the environment. The developing countries recognized that this was bound to create longer-term problems, but they simply did not have the means to allocate scarce

investment resources to environmental rather than developmental problems. Unless and until the northern Governments, industries and environmental NGOs which were agitating for action on their own environmental agenda joined with developing countries in a real partnership, there would be little or no movement on internalization of environmental costs. The secretariat was right to suggest starting this partnership process with a twin initiative on resource pricing in the commodity context and on environmental finance. He felt that the Standing Committee on Commodities could usefully begin discussions on internationally agreed resource pricing issues at its third session. Moreover, the matter of environmental finance was of such importance, and of such a cross-cutting nature, that it should be discussed at the level of the Board, and he therefore supported the secretariat's suggestion that it be made the sustainable development theme for the spring session of the Board in 1995.

21. Expressing the deep concern felt by the Group of 77 and China at the retrogression in the economic and social performance of the LDCs in recent years, particularly the African LDCs, he said that the Mid-term Global Review in 1995 would provide an opportunity for the LDCs and their development partners to take new measures to enhance the implementation of the Programme of Action during the rest of the 1990s. In particular, and in consequence of the increase in the number of LDCs since the adoption of the Programme of Action, he urged LDCs' developed partners to provide them with substantial increases in the level of external financial resources committed by the Programme of Action, to cancel all bilateral official debt and to take measures for substantial reduction of LDCs' debt stock and debt service burden for multilateral debt. Similarly, with regard to the United Nations New Agenda for the Development of Africa in the 1990s, he hoped that the Board would be able to formulate practical proposals for actions to stimulate investment and transfer of technology to Africa and reverse the current trend of decline in economic activity in this region. African countries needed assistance in their search for more effective mobilization of domestic and external resources, as well as in promoting the flow of external resources in specific industrial projects, establishing new investment promotion machinery, training their nationals in techniques of investment promotion, and securing the services of expert advisers. The UNCTAD secretariat should therefore continue to explore the means by which African countries could be made more aware of the factors which continued to deter foreign investment in Africa. Efforts should also be made to disseminate information on opportunities for investment in Africa.

22. Finally, he stated that the Group of 77 and China strongly reaffirmed their conviction of the vital need to further strengthen UNCTAD. UNCTAD was an indispensable organization for securing the adoption of new attitudes and new approaches to international trade and development issues. Multilateral economic negotiations within UNCTAD had produced important initiatives and led to the adoption not only of general principles but also of specific instruments for international economic cooperation, as well as the adoption of codes, conventions and programmes. UNCTAD has provided the forum where many prominent thinkers and economists had launched new and logical ideas and concepts, and had thus made an objective contribution to important contemporary dialogues. The Group of 77 and China remained deeply committed to the irreplaceable role of UNCTAD and would continue to support all efforts aimed at strengthening this organization.

23. The spokesman for the **European Union** (Greece) said that the current session of the Board was taking place against the background of a difficult world economic situation, with declines in various growth indices. There were, however, some recent indicators that pointed to prospects for an upturn in parts of the industrialized world and he hoped that this sign presaged high and sustained worldwide growth. The situation in developing countries as a whole had been significantly better with a growth of 4.5 per cent, and some developing countries had experienced even higher growth. However, as mentioned in the recent UNCTAD Report on the Least Developed Countries, LDCs were below the average, and African LDCs had registered a decline of 1.2 per cent. Prices of agricultural raw materials had declined by about 6 per cent in 1993 in LDCs, following a fall of 2 per cent in 1992.

24. In the EU the predicted recovery was expected to be driven essentially by further monetary easing and self-stabilizing characteristics of market economies. Inflation averages were still kept low. The deepening recession had had a profound impact on the EU labour market, and the unemployment rate was now forecast to reach a historic peak of around 11.5 per cent in 1995. Despite the fact that unemployment forecasts were the worst in the history of the twelve member States, the EU would make an effort to ensure that this did not have a negative effect on its external economic relations, particularly with developing countries.

25. Referring to the signing of the Final Act of the Uruguay Round in Marrakesh, he said that the successful outcome should boost prospects for

economic recovery and growth worldwide. It now remained to be seen how best the agreements would be implemented.

26. Turning to the general situation of UNCTAD, he said that the positive elements introduced at UNCTAD VIII had made the organization more lively and receptive. Notwithstanding these changes, UNCTAD still needed some streamlining. In the context of the current mid-term review exercise, the EU considered that work programmes should adequately reflect the time available. In addition, the importance of rationalizing UNCTAD's resources had to be taken into consideration. Clear priorities needed to be set and transparency as to the use of resources was of vital importance.

27. The transfer of new functions to UNCTAD, notably in the area of transnational corporations and science and technology, implied new responsibilities for the UNCTAD secretariat. In the interest of the successful integration of the two new bodies, he hoped that early steps could be taken to rationalize their legal and constitutional position. In two weeks' time, the twentieth session of the Commission on Transnational Corporations would be taking place in Geneva and it would be an important test for its smooth accommodation to the overall UNCTAD reforms and practices.

28. The reforms agreed upon at Cartagena also comprised new and more efficient methods of reflecting the conclusions of the Board's deliberations. The EU strongly supported the new approach, which aimed at giving a less formal character to the outcome of deliberations in the Board. Careful consideration must be given to deciding which form was the most appropriate in each specific case. He added that the executive sessions should play an effective role in the preparatory work of the Board and should be entrusted with the examination of specific issues dealt with at regular sessions.

29. Turning to specific items on the Board's agenda, he said that the question of structural adjustment under item 2 was receiving the utmost attention by the EU. He praised the courageous steps being taken by developing countries in undertaking to reform their economies. In tackling the grave problems that were besetting the LDCs, especially in Africa, he considered that domestic resource mobilization was the single most important source for the generation of development finance. However, external assistance would continue to play a key role. The EU would continue to provide substantial ODA, with particular emphasis on assisting the poorest countries. Poverty, population policy, the environment, education, health, the role of women and the welfare of children

merited special attention. The EU would support in particular those countries that made credible efforts to help themselves through appropriate economic policies and good governance. Likewise, the EU would continue to push for improvements in the debt arrangements of the poorest and most indebted countries which were pursuing economic reform programmes. Solving the problems of the African continent required action in a number of fields, including strengthened regional cooperation and regional integration. The need for foreign direct investment and transfer of technology to the African countries was beyond doubt. The problems of both the LDCs and the African countries, although not identical, needed the special attention of the international community. The issues pertaining to these groups of countries should be more fully integrated into the work of UNCTAD to ensure that their special situation was continuously considered.

30. Sustainable development was one of the most important subjects on the policy agenda of the 1990s. The newly established Commission on Sustainable Development would be meeting for the second time in May and it was essential to ensure that the basis for the Commission's considerations was carefully prepared. The issue selected for discussion at this session of the Board, namely the effect of internalization of external costs on sustainable development, was very important and the EU praised the secretariat for dealing with such a difficult and complex subject.

31. In connection with item 11 (f), he stated that the EU would be putting forward a proposal of the European Union for upgrading the rights of representation of the European Community in the Special Committee on Preferences to those of participants without a vote. He hoped that it would be possible to decide positively on this matter at the current session. The rights of member States of the European Union were not affected by this proposal.

32. Referring to the documentation prepared for the Board's session, he expressed concern at the late distribution of certain documents. Documentation must be made available in time and in all languages, allowing delegations to prepare for the discussions of the issues on the agenda, particularly in capitals. The secretariat might wish to inform members not only of the reasons for the serious delays, but also of the secretariat's intentions with regard to improving this situation. It was well recognized that one of the main causes had been the overloading of the calendar with too many meetings, but there were other factors too.

33. Finally, he said that the EU continued to support fully the positive course set for UNCTAD following the Cartagena Conference and to be fully committed to the "Spirit of Cartagena". The reform process begun in Cartagena must be pursued. The objective was to overcome the disparities and gaps that still divided the populations of the world. Cooperation for development was a central challenge to mankind as it moved towards the twenty-first century. The challenges ahead were manifold and complex. The European Union would continue to seek a positive partnership with the developing world.

34. The representative of the **United States of America** said that since the Rio Conference there was a growing consensus that the greatest challenge for the next century was solving the sustainable development equation, of which trade and environment was a key component.

35. To meet this challenge, the international community must identify the forces leading into the global era, inter alia:

- Economic interdependence. Labour, capital, production and markets had all been globalized;

- The information revolution, which had made people around the globe more aware, more demanding and more able to act independently of governing structures;

- Not only were money and ideas overrunning political borders, so too were refugees, immigrants, pollution, narcotics, armaments and disease. As a result, terms like national interest and national security were losing clarity. And national governments were less able, on their own, to satisfy popular expectations;

- At the same time, more and more non-State actors were moving on to the world stage. These included multinational corporations, environmental and human rights organizations, criminal cartels, ethnic minorities and individuals of broad public influence.

These and other forces were the essence of the post-Cold War era, the global era, and they were changing the international order beyond anything the statesmen and statecraft of the old State system had ever contemplated. Long-stable institutions had been profoundly altered; some - including the United Nations - were acquiring new relevance; others were being redefined; still

others were fading from view. Clearly a major step had been taken in Marrakesh towards building a 21st century institution that would shape the world. Fortunately, the action taken at Cartagena two years ago to refashion UNCTAD had positioned UNCTAD to play a key role in the vibrant and productive partnership established to redirect and develop both UNCTAD's own agenda and the new WTO. During the two years since Cartagena all member countries had contributed to creating a new attitude in UNCTAD, and recreating an institution which was rapidly gaining a reputation for excellent analysis and thoughtful discussions of issues which fostered greater understanding. Consideration should be given to strengthening the analytical capacity of UNCTAD. The addition to UNCTAD of the Centre for Transnational Corporations would augment that capacity in certain areas.

36. The Ad Hoc Working Groups had accomplished some commendable and creative work, but the participants had tended to demand too much of themselves and of the resources available. There was thus a need for greater discipline and focus, and this aspect would be dealt with in the mid-term review exercise. She hoped that UNCTAD as an institution would continue to evolve, and believed that UNCTAD's relations with WTO, OECD and other institutions concerned with trade and development would continue to change.

37. Finally, she observed that UNCTAD's Trade Efficiency Initiative combined the best features of the new UNCTAD. This programme combined significant policy considerations with concrete actions, namely the establishment of the network of electronically-linked Trade Points. The Trade Points now existed in some 50 countries. They brought immediate benefits and should quickly give a substantial boost to world trade. Simplifying business procedures, providing increased market access through information, spreading technologies, and targeting small- and medium-sized enterprises all provided a real service to UNCTAD members. This was an exemplary marriage of policy discussions, action, technical assistance and clear results. Through individual national action, a closer global community was being forged, one in which open information allowed everyone to gain. Electronic trade was the wave of the future. Through this programme, UNCTAD was preparing all countries for full and equal participation in trade in the decades ahead. In this connection, all countries would be welcome to attend the World Symposium on Trade Efficiency to be held in Columbus, Ohio, in October 1994.

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Fortieth session, second part
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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTIETH SESSION

Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

Addendum

ITEM 8 (a): JAG REPORT

Speakers: Chairman of Joint Advisory Group (Netherlands)
Romania
Switzerland
Chile (for Group of 77)
Russian Federation
Canada
Peru
China
Cameroon
Sweden (for the Nordic countries)

Note for Delegations

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Chapter III

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

Report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty sixth session

(Agenda item 8 (a))

1. For its consideration of this item, the Board had before it the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-sixth session (ITC/AG(XXVI)/139 and Add.1) distributed under cover of TD/B/40(2)/8.

2. The **Chairman of the Joint Advisory Group**, Mr. Boddens-Hosang (Netherlands), introducing the report, recalled that the Group had examined the following matters: (i) a review of ITC's technical cooperation activities in 1992, based on its Annual Report; (ii) a report of the ITC's technical meeting, held in 1992, on the evaluation of the ITC's subprogramme on institutional infrastructure for trade promotion at the national level; and (iii) a report of the ITC's technical meeting, held in 1993, on the evaluation of ITC's activities in commodity trade, development and promotion.

3. He reported that the Officer-in-Charge of ITC, in introducing the Annual Report, had provided an update of ITC's main activities, the problems encountered, and the responses thereto, and suggestions for the future. It had been recalled that half of the management-level posts in the ITC had been vacant for a considerable period of time and that the filling of these posts had become even more urgent since two of the three remaining ITC Directors were due to retire in 1994. The Officer-in-charge had also referred to ITC's efforts during 1992 to realign its activities within the new Medium-Term Plan covering the period 1992-1997 and had given a detailed account of ITC's activities related to environment, including preliminary work on eco-labelling, and to ITC's efforts to establish a field presence. As regards the resource situation, delivery from trust funds, including funds-in-trust, had reached its highest figure in 1992, while the availability of trust funds had declined in 1993 owing to a reduced contribution from some major donor countries. Although efforts had been made to diversify resources, the Officer-in-Charge had appealed to the donor community to arrest or reverse the decline in contributions to the ITC, especially in view of the increased demand on ITC's services from developing countries following the

successful conclusion of the Uruguay Round negotiations.

4. The Officer-in-charge had recalled that the ITC would be celebrating its thirtieth anniversary in 1994, which would provide a suitable opportunity for a review of its current and future activities, role and direction. In this context, the ITC secretariat had embarked upon the preparation of a mission statement which would be submitted for the consideration of the Joint Advisory Group at its twenty-seventh session in 1994.

5. The Group had unanimously expressed its appreciation to the Officer-in-charge and the ITC staff for the excellent work carried out in very difficult circumstances and had expressed satisfaction that ITC had achieved its historically highest rate of programme implementation in 1992. The Group had expressed regret for the difficult circumstances in which ITC continued to find itself owing to the undue postponement of a decision on the appointment of its Executive Director and the filling of other key management posts, and had called on ITC's parent bodies to arrive urgently at an appropriate solution.

6. With a view to revitalizing ITC, one delegation had circulated a non-paper proposing a review of ITC's mandate, financial and personnel situation, general structure, and its relations with its parent bodies. The review would also examine the broader perspective for strengthening the operational activities of the United Nations system in the trade promotion sector. Following informal discussions on the proposal, the Joint Advisory Group agreed that its Bureau should initiate informal consultations at an appropriate time on the terms of reference and timing of the review.

7. The representative of **Romania** expressed appreciation for ITC's technical assistance work in developing countries and countries in transition. He considered that ITC's activities should be strengthened to enable it to respond to the increasing needs of these countries, and, for this purpose, bilateral donors, UNDP and other donor institutions should be invited to increase their voluntary contributions to ITC. He was confident that the recent appointment of Mr. D. Belisle to the post of Executive Director of ITC would allow ITC to carry out its work effectively. He expressed the hope that decisions would be taken very soon regarding the filling of the vacant management posts in ITC. ITC would be celebrating its 30th anniversary in 1994 and this would provide an opportunity to review ITC's activities, role, and future and present activities, taking into account the important changes which had taken place in international economic

relations. Such a review should aim at reinforcing ITC's responsibilities as the United Nations technical cooperation agency dealing with trade promotion and export development.

8. The representative of **Switzerland** noted with satisfaction the appointment of the Executive Director of ITC and his delegation looked forward to good cooperation with him. He was confident that ITC would, under the leadership of the Executive Director, return to "business as usual". He referred to the urgency of convening a meeting of the Joint Advisory Group to discuss ITC's future work programme, and to enable ITC to adjust its priorities in response to the increasing needs of the developing countries following the signature of the Final Act of the Uruguay Round.

9. The spokesman for the **Group of 77** (Chile) expressed his Group's satisfaction on the appointment of the Executive Director of ITC. He commended the Officer-in-charge of ITC for his work during a difficult period when the organization had been without an Executive Director. In spite of a reduction of resources, the Officer-in-charge had managed to ensure that ITC continued to respond to the technical assistance needs of the developing countries. Noting with satisfaction that ITC had begun work in very important areas such as eco-labelling, he urged that ITC be associated with UNCTAD in carrying out such activities. He hoped that efforts would be made to strengthen the links between UNCTAD and ITC, and in this regard, drew particular attention to the United Nations International Symposium on Trade Efficiency, which would take place later in the year in Columbus, Ohio. He stressed that, in view of the work which ITC had already undertaken on trade efficiency, it should give special support to UNCTAD in preparation for the event.

10. The representative of the **Russian Federation** expressed satisfaction at the nomination of the Executive Director and conveyed his delegation's congratulations to Mr. J. Belisle on his appointment, which should lead a new lease of life and dynamism for the Centre. He supported the proposal that the Joint Advisory Group should undertake a review of ITC's activities on the occasion of its 30th anniversy, including those relating to the countries in transition.

11. The representative of **Canada** expressed his delegation's satisfaction at the appointment of the Executive Director. He supported the proposal to undertake a review of ITC and urged that consultations on this subject be initiated as soon as possible. He conveyed his delegation's appreciation to the Officer-in-charge of ITC for his work in leading ITC during a period when the Centre had been in an untenable situation.

12. The representative of **Peru** recalled the past concerns of the Latin American Group to resolve the situation regarding the appointment of the Executive Director of ITC at the Assistant Secretary-General level. He noted with satisfaction that the situation had now been resolved, and that this was an indication of the importance of ITC's work in trade promotion and export development. He conveyed his delegation's appreciation for the work carried out by the Officer-in-charge of ITC during the past two years, at a time when the Centre had been going through a very difficult period. Referring to the 1994 session of the Joint Advisory Group, he expressed the hope that this meeting would be convened as soon as possible, following the Executive Director's assumption of duties, and that this opportunity should be seized to review ITC's work programme and future role. Finally, he stressed the importance of ITC's work in trade efficiency.

13. The representative of **China** commended the Officer-in-charge of ITC for his work during a very difficult period. He referred to the increasing needs of the developing countries for ITC assistance and expressed satisfaction at the appointment of the Executive Director of ITC. He expressed the hope that, under the leadership of the new Executive Director, ITC would be able to continue its work in a normal fashion. He also expressed the hope that the Joint Advisory Group would be convened as soon as possible in 1994.

14. The representative of **Cameroon** expressed the hope that the appointment of the Executive Director of ITC would enable ITC to revive its important work in trade promotion and export development. He noted with approval the proposal to undertake a review of ITC.

15. The representative of **Sweden**, speaking on behalf of the **Nordic countries**, expressed his satisfaction that the new Executive Director of ITC had been appointed. He conveyed his congratulations to Mr Belisle, pledged his delegation's support to him and looked forward to cooperating with him in the future.

Action by the Board

16. At its 835th meeting, on 19 April 1994, the Board took note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty sixth session and the comments made thereon.

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Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

Addendum

PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

Speakers: Peru (for the Latin American and Caribbean Group)

Greece (for the European Union)

Note for Delegations

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Chapter V

PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

A. Opening of the session

1. The second part of the fortieth session of the Trade and Development Board was opened by Mr. Al Sherif Fawaz Al Sharaf (Jordan), President of the Board at its fortieth session. The President made an opening statement (see introduction, paras. 1 to 8).

B. Bureau of the Board

2. At its 834th (opening) meeting, on 18 April 1994, the Board took note that Mr. Akio Ijuin (Japan) had been replaced by Mr. Shohei Naito (Japan) as Vice-President.

3. Accordingly, the Bureau of the Board at the second part of its fortieth session was as follows:

President: Mr. Al Sherif Fawaz Al Sharaf (Jordan)

Vice-Presidents: Mr. Yuri Afanassiev (Russian Federation)
Mr. Satish Chandra (India)
Mr. Mohamed Ennaceur (Tunisia)
Mr. Ioannis Kinnas (Greece)
Mr. Shohei Naito (Japan)
Mr. Richard A. Pierce (Jamaica)
Mr. A. Pinoargote-Cevallos (Ecuador)
Mr. Clarke Rodgers Jr. (United States)
Mr. Ali Ahmed Sahloul (Sudan)
Mr. Zdenek Venera (Czech Republic)

Rapporteur: Mr. Marcel C.P. Van der Kolk (Netherlands)

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (a))

4. At its 834th meeting, the Board adopted the provisional agenda for the second part of its fortieth session as in section I of TD/B/40(2)/1. (The agenda as adopted is reproduced in annex I below).

5. The Board also endorsed the proposals for the organization of work of the session contained in TD/B/40(2)/1/Add.2.

6. At the 835th meeting, on 19 April 1994, the President informed the Board that, in response to the request by the delegation of the United States of America for an additional item concerning "Preparations for the United Nations

International Symposium on Trade Efficiency" to be included in the agenda, the Bureau had agreed that this matter should be taken up under item 12 (Other business).

D. Establishment of sessional bodies

7. At its 834th meeting, the Board established two Sessional Committees of the whole and a Special Sessional Committee, allocating agenda items to them for consideration and report as follows:

Sessional Committee I

Trade policies, structural adjustment and economic reform (item 2)

Sustainable development (item 4)

Sessional Committee II

UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s (item 6)

Special Sessional Committee

Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s (item 5)

8. The Board agreed that those officers elected to serve on the Sessional Committees at the first part of the session should be retained to serve in the same capacities at the second part of the session and that the officers serving on Sessional Committee II would also serve on the Special Sessional Committee.

9. The Board elected Mr. Jigmi Thinley (Bhutan) as Chairman of Sessional Committee II and the Special Sessional Committee, to replace Mr. Leslie Gatan (Philippines), who had been transferred from Geneva.

10. Accordingly, the officers serving on the sessional bodies were as follows:

Sessional Committee I

Chairman:	Mr. Antti Hynninen (Finland)
Vice-Chairman-cum-Rapporteur:	Mr. Evgueni Manakine (Russian Federation)

Sessional Committee II and Special Sessional Committee

Chairman:	Mr. Jigmi Y. Thinley (Bhutan)
Vice-Chairman-cum-	

Rapporteur: Mr. Hermann Aschentrupp-Toledo (Mexico)

11. At its ..... (closing) meeting, on 29 April 1994, the Board took note of the reports of Sessional Committee I (TD/B/40(2)/SC.1/L.....), Sessional Committee II (TD/40(2)/SC.2/L.....) and the Special Sessional Committee (TD/B/40(2)/SSC/L.....), and decided that they should form an integral part of the summary of proceedings in volume II of the report of the Board on the second part of its fortieth session.

E. Adoption of the report on credentials

(Agenda item 1 (b))

[To be completed]

F. Provisional agenda for the first part of the forty-first session of the Board

(Agenda item 1 (c))

[To be completed]

G. Provisional agenda for the pre-sessional executive session of the Board in September 1994

(Agenda item 1 (d))

[To be completed]

H. Designation of the President of the forty-first session of the Board

(Agenda item 1 (e))

12. At the fifth (pre-sessional) executive session of the Board (8 April 1994), to which this item had initially been allocated, the President had drawn attention to the fact that, in accordance with the cycle for the rotation of the office of President of the Board, the President at the forty-first session would be a representative of one of the States in List C (Latin America). The Board had taken note that consultations were still in progress with the Latin American and Caribbean Group and had decided to revert to the matter again at the second part of its fortieth session.

[To be completed]

I. Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board

(Agenda item 11 (d))

13. At its 835th meeting, on 19 April 1994, the Board approved the application of the Commonwealth of Independent States (CIS) for designation under rule 76 of the rules of procedure of the Board. Information on this organization was contained in document TD/B/40(2)/R.1 (now de-restricted).

14. At the same meeting, the Board took note that the Arab Industrial Development Organization (AIDO), an intergovernmental organization which had been granted status by the Board at its eighteenth session, had changed its name to the Arab Industrial Development and Mining Organization (AIDMO) and now consisted of the former AIDO, the Arab Organization for Standardization and Metrology (ASMO) and the Arab Organization for Mineral Resources (AOMR).

J. Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure

(Agenda item 11 (e))

15. Also at its 835th meeting, the Board approved the application of the Latin American Parliament for designation under rule 77 of the rules of procedure of the Board and decided, in accordance with the recommendations of the Secretary-General of UNCTAD (See TD/B/40(2)/R.2 now de-restricted) and of the Bureau, to classify the organization in the general category under the terms of paragraph 12 (a) of Board decision 43 (VII).

16. The spokesman for the Latin American and Caribbean Group (Peru) made a brief statement to express the pleasure of his Group on the designation by the Board of the Latin American Parliament as a non-governmental organization in status with UNCTAD. He stated that this organization, which was made up of democratically elected parliamentarians from various countries in the Latin American region, was an entity which had been involved in promoting the economic and political interests of the region and as such could make a valuable substantive contribution to the work of UNCTAD.

17. Finally, the Board noted that the International Foundation for Development Alternatives (IFPA), a non-governmental organization which had been granted status in the General Category by the Board at its eighteenth session, had informed the secretariat that the Foundation was currently inactive and that a resumption of its activities was unlikely. Accordingly, the Board noted that IFDA had been withdrawn from the list of non-governmental organizations in status with UNCTAD and would be deleted from document TD/B/INF.107/Rev.6.

K. Status of the European Community in the Special Committee on Preferences

(Agenda item 11 (f))

18. At the 835th meeting, on 19 April 1994, the spokesman for the European Union (Greece) referred to the proposal set forth in the explanatory memorandum circulated in TD/B/40(2)/22 to upgrade the status of the European Community in the Special Committee on Preferences and called on the Board to examine the proposal. He recalled that the European Community had been participating in UNCTAD proceedings with observer status since 1964. The Community had its own competence on restrictive business practices and on trade preferences. This power was exclusive and he affirmed that the Community, in order to exercise its responsibilities, should have been granted in the Special Committee on Preferences the same status as the one it currently enjoyed in the Intergovernmental Group of Experts on Restrictive Business Practices.

Action by the Board

19. At the same meeting, the Board decided to mandate the President, in consultation with the UNCTAD Senior Legal Adviser, to conduct consultations on this item and to report on the outcome to the Board at its current session.

[To be completed]

L. Review of the calendar of meetings

(Agenda item 11 (g))

[To be completed]

M. Administrative and financial implications of the actions of the Board

(Agenda item 11 (h))

[To be completed]

N. Other business

(Agenda item 11 (h))

Preparations for the United Nations International Symposium on Trade Efficiency

[To be completed]

O. Adoption of the report of the Board

(Agenda item 13)

[To be completed]

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Addendum

ITEM 3: URUGUAY ROUND

Speakers: Director's Introduction
Argentina
Egypt (for African Group)
Malaysia (for Asian Group)
Australia
Chile
Romania
Sweden (Nordic countries)
Canada
Japan
China
Indonesia
Uruguay
Russian Federation
Jamaica
European Commission (for EU)

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Chapter I

DEVELOPMENTS AND ISSUES IN THE URUGUAY ROUND OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES

(Agenda item 3)

1. For its consideration of this item, the Board had before it a note by the UNCTAD secretariat entitled "Analysis and assessment of the Uruguay Round, in particular in areas of interest or concern to developing countries, and its impact on the international trading system".

2. On 22 April 1994 Mr. Jesus Seade, the Deputy Director-General of GATT, addressed an informal meeting of the Trade and Development Board on the subject of the implications of the signing of the Final Act of the Uruguay Round at Marrakesh, Morocco, on 15 April 1994. Mr. Seade also responded to questions put by the delegations of Bangladesh, Canada, Chile, China, Costa Rica, Zambia and the European Community.

Consideration in plenary

3. Introducing this item and the note by the secretariat (TD/B/40(2)/CRP.1), the Director of International Trade Division, said that the Uruguay Round Final Act incorporated agreements which substantially transformed the multilateral trading system to meet challenges and opportunities in an increasingly globalized world economy. In some areas, however, the full results of the Round were not yet known as the negotiations were continuing, in particular on key services sectors and mode of supply of natural persons, in which great economic issues were at stake.

4. He stated that the developing countries had made a major contribution to the success of the Round which had resulted in significant reduction in the flexibility available to them in designing their development policies, as well as in their use of trade policy instruments, to promote their development and their competitiveness in international trade, at the same time that they had adopted export-oriented adjustment policies. Developing countries had accepted rigorous multilateral disciplines, by binding their tariff schedules, by subscribing to agreements on non-tariff measures, and accepting multilateral disciplines in the new areas where the developed countries were in the best position to reap immediate economic gains. Although high levels of protection remained on many goods and services of export

interest to developing countries, many of them should be in a position to capitalize on the potential benefits from the Uruguay Round agreements, in particular from tariff reductions, the phase out of the discriminatory regime governing trade in textiles and clothing, the improved disciplines on agricultural trade, the strengthened safeguard clause. However, the overriding benefit accruing to them was the reduction of the scope for bilateral pressures and unilateral action against them, a benefit that would materialize only if the major trading countries genuinely respected the multilateral commitments they had accepted in the Final Act. Moreover, should a comprehensive assessment of the results of the Round demonstrate imbalances in the benefits derived from the Round, such imbalances would need to be redressed through appropriate action including additional trade preferences, development assistance and debt relief.

5. The outcome of the Uruguay round established an institutional framework for managing increasingly complex trade relations in a more competitive and integrated world economy. The Final Act was a labyrinth of review mechanisms, special safeguard clauses, notification requirements, thresholds, trigger points, enforcement requirements, Committees and working parties, as well as programmes for reviews and future negotiations. These provided what could be considered as built-in future work programme for the WTO. Many developing countries would be faced with serious challenges with respect to institutional capacity, human resource development and information management. Indeed, their capacity to defend their interests remained a matter of concern, as some including the least developed countries might find themselves having to undertake onerous multilateral obligations, face higher cost of imported food and technology, whilst being unable to translate the expanded market access opportunities into economic benefits. Effective technical cooperation programmes needed to be designed to respond to these new challenges, as well as common mechanisms to share burdens and to utilize opportunities deriving from the implementation of the Uruguay Round results. UNCTAD through its debates, analysis and its technical cooperation programmes had been able to contribute to the identification of the interests of developing countries and to their effective participations in the Uruguay Round. UNCTAD based on its clearer and strengthened mandate including in the area of the interdependence of trade, financial and monetary matters and sustainable development was ready to contribute to the coherence of global policy making and to a stronger role of developing countries within the international trading system.

6. At the Marrakesh Ministerial Meeting a series of suggestion were put forward which could be considered by the Preparatory Committee. It would seem important

that such proposals be subjected to constructive dialogue and rigorous policy analysis, with a view to identifying issues of interest to developing countries, and assessing implications for their trade and development. The Uruguay Round experience had demonstrated the need for such intensive consensus-building processes aimed at the formulation of common perceptions before the initiation of negotiation of implementable commitments. In accordance with the Cartagena Commitment, UNCTAD could play an important role at the level of the TDB and its subsidiary organs in such consensus-building process and the effective integration of developing countries in the world economy.

7. The representative of **Argentina** said that the adoption of the Final Act of the Uruguay Round represented the consolidation of multilateralism through the adoption of a new set of rules, and its extension to areas not covered hitherto by multilateral disciplines. The terms of the agreement allowed a step to be taken towards reduction of tariffs in the industrial sector and a broader inclusion of the agricultural sector, the services sector and trade related investment measures. The agreement on the various codes consolidated a wide range of regulations, making international trade transparent and removing discretionality and unilateralism. Of great importance was the agreement on sanitary and phyto-sanitary measures which, for the first time, allowed for recourse to a multilateral authority in cases where agricultural exports were subject to sanitary measures that were arbitrary or based on questionable scientific evidence. The creation of a genuine World Trade Organization was also one of the positive aspects of the conclusion of the Round. The new dispute settlement mechanism was a particularly successful aspect, although the credibility of the whole system would depend upon the observance and full application of the rulings taken through this mechanism. As for the inclusion of trade and environment in the working programme of the WTO, he expressed hopes for progress in this delicate area, and for recognition that poverty was the main cause of environmental deterioration in developing countries. Such a complex problem could not be resolved through trade sanctions or measures of little economic rationality.

8. In his view, the main shortcoming of the results of the Round was the lack of correlation between the developing countries' contribution to trade liberalization and the new trade opportunities deriving from industrial countries' offers. Another important shortcoming of the Uruguay Round was the limited scope of the agreements in the agricultural sector: the results here were far from meeting his country's aspirations. They represented, in his view, a first step in a return to

agricultural protectionism. It was particularly important to extend, in the near future, the commitments reached in this sector.

9. One matter of concern for his delegation was the lack of concrete results in favour of the least developed countries, for which further liberalization of world trade meant less possibilities for receiving special or prefernetial tratment. It was thus important that the international community establisht he appropriate mechanisms to help these countries to find their development path.

10. With regard to future work in UNCTAD in relation to the Uruguay Round agreements, he said that a first and essential responsibility for UNCTAD was to carry out an evaluation of the results and commitments reached, from the perspective of developing countries' interests. With regard to the erosion of preferential margins and the increasing limitations applied in some GSP schemes, he expressed the vbiew that, in the 1996 GSP review, preference-giving countries should try to compensate for such adverse effects through a larger product coverage and simplification of the schemes, with increased transparency and income effectively transferred to beneficiary countries. He also considered that an impetus should be given to the Second Round of Negotiations among Developing Countries in the framework of the GSTP. Finally, he emphasized the work done in UNCTAD in the area of environment, trade and development. This was a useful analytical work that should be continued in an institutionalized framework such a specific ad hoc working group.

11. The spokesman for the **African Group** (Egypt) said that the results of the last seven and a half years of negotiations in the Uruguay Round would herald a new era of international economic cooperation. There was, however, some anxiety that certain current issues could threaten the well-being of the multilateral trading system and the sustained development of African countries in particular and developing countries in general. Technical assistance, financial flows and market access were crucial if Africa was to be integrated once more in the world economy.

12. The trade-creating effects of the Uruguay Round would be threatened by the narrow interests of ailing industries. Sectoral structural adjustment had to be applied to both developed and developing economies in order to maintain the wheel of the global economy in motion. Any other approach would postpone the benefits of a liberal economy through new forms of protectionism and restrictive measures that would compound structural problems and hinder the improvement of living standards and growth rates, particularly in developing countries. Unilateralism

and extraterritorial application of environmental regulations should come to a halt after the establishment of the Committee on Trade and Environment in the WTO. Any disputes regarding trade and environment should be referred immediately to the dispute settlement mechanism under the auspices of the WTO. He believed that there was no contradiction between maintaining an open and non-discriminatory trading system on the one hand and protecting the environment and promoting sustainable development on the other.

13. A further threat to the new multilateral trading system was the proposal to include labour standards and social clauses in the new system. This proposal would be tantamount to admitting protectionism; furthermore through the backdoor. It would also infringe upon the mandate of the ILO whose conventions should be enforced without any linkage with trade.

14. He hoped that regional trading agreements would not lead to further trade-diverting effects or lost opportunities contrary to the interests of non-participating countries. He also feared that partially freeing trade in agriculture would have a negative effect on the balance of payments of net food-importing developing countries, and specifically African economies. The distorted situation of agricultural commodities on the world market was due an extended and prolonged resistance of developed economies to sectoral structural adjustment in agriculture. It was crucial that the Ministerial decision of the Marrakesh Conference on measures concerning the possible negative effects of the reform programme be implemented in cooperation with bilateral donors and multilateral finances institutions with a view to compensating net food-importing developing countries.

15. The deteriorating terms of trade of many African economies, which relied essentially on primary commodities for their exports, were likely to worsen in a situation where the increase in the price of their imports would be accompanied by the constant decrease in the price of their exports of primary commodities.

16. Another factor that remained vital in maintaining harmony between the macroeconomic policies and trade policies was the stability of the exchange rates in developing countries. The linkage between trade, money and finance and their role in alleviating the debt burden and poverty were of great importance in the coming period and warranted greater attention in both WTO and UNCTAD.

17. With the implementation of the Uruguay Round Final Act, most GSP schemes in developed countries would probably be eroded. Therefore, these schemes should be adjusted to offset the results of the expected tariff reductions. He proposed that UNCTAD should assist African economies to identify analytically and technically the difficulties and opportunities they would encounter as a result of the Round, particularly as regards GSP schemes. He also stressed the importance of examining the relationship between the trading system and immigration policies; the interaction between trade policies and policies relating to financial and monetary matters, including debt; commodity markets; international trade and company law; the establishment of a mechanism for compensation for the erosion of preferences; the link between trade, development, political stability and the alleviation of poverty; and unilateral or extraterritorial trade measures.

18. The spokesman for the **Asian Group** (Malaysia) said that with the rapid industrialization now taking place in Asia, most countries in this region were integrating into the multilateral trading system and looked forward to enjoying the benefits of the Uruguay Round, especially in the areas of market access in goods and services. The key feature of the Uruguay Round was the creation of the WTO, which would contribute to a strengthened multilateral trading system with more transparent and predictable trade rules. It should not be forgotten that the acceptance of the terms of the Final Act by many developing countries meant that they had to undertake heavy commitments.

19. With the WTO and its integrated dispute settlement system, there should now be no more justification for certain countries to resort to bilateral means to settle trade problems or to undertake unilateral actions such as those under Super 301.

20. It should also be noted that the Uruguay Round had prompted some large economies such as China to consider subscribing to the multilateral trading rules. China's accession to the WTO would make a positive contribution to international trade and had the strong support of the Asian Group.

21. Referring to the immediate task of the WTO in ensuring that the results were implemented in accordance with the rules and disciplines, procedures and the time frames provided for in the various Uruguay Round agreements, he emphasized that the fulfilment of all concessions and commitments in a timely fashion was of paramount importance if developing countries were to enjoy the benefits, particularly in the areas of textiles, agriculture and industrial goods.

22. He also emphasized that the WTO work programme should be confined to the scope and mandate of that organization. The issue of trade and environment was accepted as part of that work programme but it was premature to rule that environment would be a permanent theme in the WTO. In order to ensure that protection of the environment should not be used as a disguised barrier to trade, it was necessary to ensure that the objectives of trade liberalization and sustainable development should be mutually supportive. The Asian Group looked forward to studies, analytical work and technical inputs from UNCTAD on this subject.

23. Expressing the serious concern of developing countries at the recently introduced issues such as labour standards and social clauses, he said that the Asian Group was unsure of the real motives behind the moves to include such issues in the WTO. Countries should not overstretch the competence of the WTO. Attempting to justify the "trade-relatedness" of such extraneous issues did not allay the fears and doubts of dev loping countries about new forms of protectionism.

24. In the spirit of Cartagena and in the interests of a strengthened multilateral trading system, the Asian Group believed that the implementation of the Uruguay Round results should lead to more stable, secure and predictable conditions for trade based on open markets and strengthened rules. The WTO should not have an overloaded agenda, the priority being to ensure the launching of the WTO, the consolidation of the multilateral trading system and the effective implementation of the Uruguay Round results.

25. For many developing countries, the process of liberalization would continue even after the Uruguay Round. These liberalization measures and the structural adjustment that would take place would be more meaningful if they were matched by more open and outward-looking policies on the part of the major industrialized countries, including greater openings in the services trade. The Asian Group looked forward to seeing increased trade and investment opportunities for all countries in the post-Uruguay Round era.

26. The Asian Group would also wish to see an increased role for UNCTAD and its technical assistance programme, together with the International Trade Centre UNCTAD/GATT, in the areas of: monitoring benefits/effects of the Uruguay Round for developing countries, especially the LDCs; assessing and recommending how fuller benefits could be realized and how market openings could be better exploited by developing countries (export promotion and ITC's role would be instrumental in

these efforts); assisting developing countries with the analytical work and coordination on the issue of trade and environment; and providing information and better understanding on other topical subjects which had been raised by developed countries in the conduct of their trade relations -for example, human rights and international labour standards - and seeing how these affected the trade and development of developing countries.

27. The representative of **Chile** stated that, although the conclusion of the Uruguay Round might improve international trade in global terms, the results were poor for many developing countries, or even non-existent for some of them. For his country, the reduction of tariffs and the removal of a number of non-tariff measures in the agricultural sector were considered satisfactory. The integration of the textile sector represented important progress, even though the results could be assessed only several years from now. What could be considered a real success was the setting up of disciplines that strengthened the multilateral trading system. In particular, enhancing the dispute settlement mechanism was important for medium-sized or small countries. In general, the creation of the World Trade Organization would reinforce the multilateral trading system.

28. With regard to the situation facing the least developed countries, he said that the international community should seek mechanisms for economic compensation, as these countries had not succeeded in obtaining benefits. He considered that this work, which was complementary to the Marrakesh Agreements and to the WTO, was to be undertaken in UNCTAD. Consequently, it was necessary to strengthen UNCTAD's human and economic resources. Such compensatory mechanisms could be found through analysis, dialogue, consensus and negotiations in the various UNCTAD' areas of competence. Such interlinkage of economic and social elements could offer the kind of relief that the Uruguay Round did not provide to many developing countries.

29. With reference to the respective functions of UNCTAD and the WTO, he said that they should be viewed as complementary mechanisms of the United ^Nations multilateral system. Among the possible areas of complementarity, he mentioned the activities on trade and environemtn. In this area, the WTO would be called upon basically to prevent environmental aspects from becoming hindrances to trade, while UNCTAD should deal with these aspectws from the economic development perspective of developing countries. International competition was viewed as another area for complementary work. In this regard, the WTO should negotiate agreements aimed at preserving the free competition within the international trading system, while UNCTAD, tthrough its programme on restrictive business practices, should be able

to analyse and reach consensus with a view to preventing national competition policies from affecting international trade. Both institutions should undertake analysis on how to link the international trading system with the monetary and financial aspects of the Bretton Woods institutions. Finally, he said that Chile considered that labour issues should not be dealt with either in UNCTAD or in the WTO, since these issues were the competence of a specialized agency, the ILO.

30. The representative of **Australia** welcomed the successful conclusion of the Uruguay Round, which was the most comprehensive and far-reaching round of multilateral trade negotiations ever held. She highlighted the following results of the Round: (i) agriculture and textiles had been brought more effectively within the rules of the multilateral trading system; (ii) the largest ever tariff cuts on industrial products had been achieved; (iii) new rules for the protection of intellectual property and for trade in services had been negotiated; (iv) the rules governing virtually all aspects of trade had been improved, and more automatic dispute settlement procedures had been secured. In her opinion, the results of the Uruguay Round had the potential to improve the economic growth and welfare of all countries, whether developed, developing or economies in transition.

31. While some countries might feel that they had benefited less from the Round than others, all in the longer term would benefit from the dynamic contribution that the more stable and more liberal international trading regime would provide to global economic growth. She felt that the developing countries in particular would benefit, not only from the new disciplines on agriculture and textiles, but also from the greater certainty that would be given to national trade policies across-the-board through the World Trade Organization. The fact that developing countries had played a much more active role and made a grater contribution in these negotiations than in previous Rounds reflected the general recognition of the benefits of the effective integration of all countries into the international trading system, including into the contractual structure of commitments and disciplines of the GATT and the WTO.

32. The outcome of the Uruguay Round included provisions to assist developing countries over transitional periods and in particular provided longer-term differential treatment for LDCs. Not only was this differential treatment incorporated in the texts, it was emphasized also in a Ministerial decision and it was implicit in the additional time that LDCs had to submit schedules for the WTO.

33. The conclusion of the Uruguay Round had launched a new perpetual round of negotiations. Services negotiations were starting immediately, and the WTO agreement had built into it a timetable for future negotiations in other areas. Moreover, the Preparatory Committee for the WTO would begin at once to discuss key implementation issues for the WTO, including what other issues should be added to the WTO's agenda. One relatively new issue was trade and environment, on which there would be continuing discussion in the WTO under the agreed work programme. This issue was of global concern and required careful analysis of what might need to be done in the WTO and what lay more appropriately elsewhere in the international system, particularly in UNCTAD. She suggested that countries should try to analyse the issues objectively in both WTO and UNCTAD, avoiding duplication and ensuring that the debate did not become divisive.

34. The dynamic role of developing countries in GATT was an important facet of the change in the international economic and institutional environment which included UNCTAD's new orientation. She emphasized the need to identify in the post-Uruguayan Round environment those issues which might be most usefully considered by UNCTAD, bearing in mind UNCTAD's analytical capacity and its status as a unique forum for global consensus building.

35. The representative of **Romania** said that the recent conclusion of the Uruguay Round negotiations at Marrakesh represented a major event in international economic environment. The results of the Round should greatly improve market access conditions, stimulate investment and increase world economic growth. Romania participated fully in the Uruguay Round negotiations despite the difficulties it faced in the process of transition to a market-economy system. With a view to ensuring its integration in the world economy, Romania had consolidated 100 per cent of its tariffs, had undertaken specific commitments in the area of services and had adopted autonomous liberalization measures. He hoped that the results of the Uruguay Round would enable his country to expand its market access in goods and services and prevent its exports from being the target of arbitrary measures. UNCTAD should help developing countries and the countries in transition to benefit fully from the results of the Round. He considered, moreover, that UNCTAD could prepare the grounds for the negotiations on future trade issues.

36. The representaitve of **Sweden**, speaking on behalf of the Nordic countries (Denmark, Finland, Norway, Sweden), described the agreements of the Uruguay Round as the most significant event for international trade in recent years. They would remove substantial obstacles to trade and strengthen the rules and reinforce the

contractual framework for trade. The WTO would have a great many new members, many of them developing countries - a fact which would facilitate and expand international trade, increase global efficiency and employment and raise incomes.

37. Notwithstanding the impressive gains foreseen for the world economy and for the developing countries' GNP from the implementation of the market access part of the Uruguay Round, the deal was not a zero sum-game, since the concept of "developing countries" covered substantial differences in size, economic performance, level of development, trade structure and living standards. Not all developing countries benefited equally, but all stood to gain, especially in the long run. He pointed out that the agreements contained provisions for special and differential treatment, including fewer obligations, longer implementation periods and technical assistance for the developing countries, and even more flexible commitments for the least developed countries. There was also a decision providing for calculating the possible negative effects experienced by the least development and net food-importing developing countries in the Uruguay Round package. He stressed the increased confidence emanating from the positive outcome of the Uruguay Round and observed that a failure could have unleashed negative developments resulting in increased protectionist pressures and threats of unilateral and protectionist measures detrimental to all parties.

38. The priority objective now was to ensure the rapid and faithful implementation of the results of negotiations and to make the WTO operational. As small nations dependent on foreign trade, the Nordic countries knew the value of legally binding rules. A strong multilateral rule-based system was of vital interest for them as well as for the developing countries. The importance of UNCTAD was by no means diminished and the Nordic countries strongly supported UNCTAD's role as a consensus builder in the area of trade and development, the most important task being to define what UNCTAD should do in helping the developing countries to take full advantage of the new opportunities offered.

39. The representative of **Canada** said that it was unquestionable that developing countries had played a leading role in the Uruguay Round negotiations, much more than in any previous Round. The importance of that role was reflected throughout the Uruguay Round texts. The phased integration of textiles and clothing into the scope of WTO, special transitional arrangements worked into many provisions of the Final Act, and commitments in texts such as the General Agreement on Trade in Services to engage in a process of progressive liberalization demonstrated the determined and forceful leadership of developing countries.

40. The UNCTAD secretariat had correctly noted the enormous importance for developed and developing countries alike of the strengthened multilateral rules and disciplines built into all parts of the Final Act, in more traditional areas as well as in areas newly covered by the WTO. Some had argued that these new disciplines were going to impose too onerous a burden on developing countries and that their sovereignty would be unacceptably restricted as national policy choices would have to be undertaken within the context of these new rules. In his opinion, however, all countries had ceded a degree of their national sovereignty, in order to benefit from the stability and security which would flow from a strengthened system of multilateral rule-based trade. The alternative to moving towards stronger multilateral rules would have been to take one's chances in negotiating market access with often much larger and stronger trading partners. The WTO's integrated dispute settlement mechanism should provide medium and smaller trading nations with the protection needed to defend their national trading interests against bilateral pressures from much larger trading partners.

41. Concerns had been expressed by a number of developing countries, in particular on the impact on these countries of an erosion of preferential market access opportunities, and the possible detrimental effects which could affect a number of least developed countries that were net food importers. While it was unquestionably true that some margins of preference would be reduced as a consequence of the Uruguay Round, such reductions would be balanced by the accelerated reduction of tariff barriers in a range of product areas, such as metals, mineral products, wood, pulp, paper, textiles and clothing, as well as agricultural products of interest to many developing countries, such as coffee, tea, cocoa, sugar, fruits and vegetables, oilseeds and others. These new market access opportunities more than offset the effect of a reduction in the preference margins. In his opinion, national economic and trade policy-makers should be asking whether the ongoing existence of systems of preferences had not helped to divert economic resources into areas of less comparative advantage.

42. Furthermore, reforms to agricultural export support policies would be phased in over a transitional period of six years. It should not be forgotten that the effect on domestic food production of a rise in food prices would be probably to increase the levels of such production, thereby reducing dependence on imported food. Finally, Uruguay Round participants themselves had recognized the legitimate concerns of least developed and net food-importing countries in a special decision of the Final Act, which set forth important objectives for the provision of food aid, the provision of basic foodstuffs in grant form and aid for agricultural

development, as well as the possibility of assistance from the International Monetary Fund and the World Bank on financing of commercial food imports.

43. On the issue of regionalism, he said that his authorities were convinced that, if they were pursued with the objective of expanding trade opportunities, and not with the intention to close off markets, regional trading arrangements could be solid contributors to a strong and stable multilateral system.

44. The representative of **Japan** considered that the implementation of the agreed Uruguay Round measures would result in great improvement of the world economy through the expansion of trade. The universal participation of the developing countries in the Uruguay Round reflected the important role currently played by these countries in world trade. A growing number of developing countries, including some Asian countries with remarkable economic development, had begun to consider the expansion of trade as a key element for economic development by making efforts for trade liberalization and laying emphasis on policies to strengthen their export capabilities.

45. The establishment of rules in new areas such as services, intellectual property rights and trade-related investment measures was one of the outstanding results of the Uruguay Round. Successful rule-making would secure stable transactions in these markets, allowing developing countries to play an active role in such transactions in the years to come.

46. Another outstanding result was the strengthening of the multilateral trading system by establishing rules in the area of dispute settlement, or by prohibiting the grey-area measures such as voluntary export restrictions and unilateral measures. Stabilizing the trading system and consolidating relief measures in case of dispute benefited the developing countries. Developed as well as developing countries would be making efforts to adopt measures that were not inconsistent with these rules of trade.

47. In his view, UNCTAD should, in its future work, try to establish constructive and complementary relations with WTO by enhancing its ability as a policy debating forum. UNCTAD should also promote its technical cooperation in the areas where it could make use of its accumulated expertise, in cooperation with WTO and the ITC, as to enable the developing countries to make the best use of the results of the Uruguay Round.

48. Considering that GATT was a forum for the making and implementation of rules in the area of trade and UNCTAD a forum for deepening policy discussion on the development issues, he felt that UNCTAD was called upon more than ever to take up new trade-related issues for policy recommendations with a view to facilitating the development of the developing countries. Therefore, the UNCTAD secretariat and the WTO must cooperate and make strenuous efforts to revitalize UNCTAD.

49. The representative of **China** said that the establishment of the World Trade Organization would have a significant impact on the structure of the world trade and the economic development of all countries. It would provide new impetus to the revitalization of the global economy and lead to more trade, more investment, more jobs and higher economic growth throughout the world.

50. Although the final package of the Uruguay Round covered a wide range of issues, the overall balance had not been achieved and the interests of the developing countries had not received adequate consideration. This was particularly true in the areas of tariffs and non-tariff measures where the reduction targets for products of considerable export interest to developing countries were not met. Net food importers would have to pay more for their food imports. There were no meaningful improvements in the market access package on services with respect to movement of natural persons. Furthermore, developing countries had undertaken new obligations in the areas of TRIPs and TRIMs, and had suffered loss in trade preferential margins.

51. The Chinese delegation, therefore, was of the view that there would be an urgent need for the Preparatory Committee of the WTO to address this imbalance and to implement the Uruguay Round results in good faith. There was also a need to set up the necessary monitoring and compensatory mechanisms to ensure that developing countries would continue to receive differential and more favourable treatment.

52. While he recognized that a large number of developing countries had participated actively in the negotiations and made important contributions by adopting a wide range of trade liberalization measures for the expansion of international trade, he held that developing countries should have greater opportunities for effective and equal participation in the future multilateral trading system. The WTO should have broader global representation which would include countries and regions with different economic systems and at different stages of development. It should also fully reflect the needs of the developing countries.

53. Referring to the respective roles of the new World Trade Organization and UNCTAD, he expressed the view that the complementarity of the two organizations should be ensured. In the past three decades, UNCTAD had made indelible contributions to defining the principles governing international economic and trade relations and the multilateral trade negotiations. He hoped that UNCTAD, pursuant to General Assembly resolution 1995 (XIX and the Cartagena Commitment, would continue to play an active role with a view to making further contributions.

54. The representative of **Indonesia** considered that the successful conclusion of the Uruguay Round would enable the developing countries to participate fully in international decision-making, and allow exports from developing countries greater access to markets in industrial countries. Developing countries themselves, in the process of carrying out changes in their development strategies, had made strenuous efforts at considerable cost and sacrifices to fulfil their part of the development compact. He mentioned in particular the burden that the new obligations implied in sectors such as intellectual property rights and services. However, developing countries had accepted the Uruguay Round package since it was their belief that the future of world economic growth and global prosperity, as well as the prospects for development in developing countries, depended on the openness and justice of the international trading system. However, the developed countries must reciprocate in kind if they wished to see the developing countries pursue their structural adjustment and liberalization measures. The developing countries' reforms should not be frustrated by developed countries' shortsighted policies of unilateralism, protectionism, reduced transfer of financial and capital resources, and curbed flow of technology. In today's world of growing interdependence, integration of nations and globalization, the political pluralism and economic liberalization in the developing world could easily suffer a disastrous reversal if they were not supported by the developed countries' endeavours to create and sustain a conducive global economic environment for development. There was a collective responsibility to ensure that the interests and concerns of all developing countries were reflected in this changing world order.

55. New forms of protectionism which discriminated against exports from developing countries should be avoided in order not to hamper the developing countries' full participation in the new multilateral trade system. The liberalization of trade policies in the developing countries should be rewarded by allowing them to follow their socio-economic development. The principle of differential and more favourable treatment should be fully respected. There should also be greater political commitment by all countries to enable the World Trade Organization to

play an important role in implementing the results of the Uruguay Round. He hoped that the new organization would effectively serve as the guardian of a rule-based, predictable and non-discriminatory multilateral trading system and the guarantor of the rights of the weaker trading partners against arbitrary and unilateral actions of the strong, without being overloaded with controversial issues.

56. UNCTAD, for its part, had an important role to play in helping to secure a balanced and fair multilateral trading system with benefits for its members, while overcoming the possible negative effects on developing countries in specific sectors such as services and intellectual property rights. There was also a need for UNCTAD and developed trading partners to provide technical assistance.

57. The representative of **Uruguay**, recalling the objectives set in the Punta del Este Declaration, stated that for developing countries the results of the Uruguay Round were such that satisfaction of some of their needs had been delayed and their expectations disappointed. Nevertheless, the commitments reached were a positive step towards the strengthening of the international trading system. A central element in the outcome of the negotiations was the creation of the World Trade Organization, which created a framework for consideration of the legitimate aspirations of its members, especially those aspirations and needs not filled by this Round of negotiations.

58. Some of the results of the negotiations had been positive, of course, in particular market access and liberalization and removal of distortions to trade in the agricultural sector which was of particular importance to his country, as were the tarification process and the agreement on sanitary and phyto-sanitary measures. Although these results did not fulfil his country's expectations, they were a step in the right direction with respect to the prevailing situation. The agreement on agriculture was the starting point for the reform and rationalization of agricultural policies which would ensure new possibilities for efficient producers in international markets. His country attached great importance to the commitment to further the reform and liberalization process. The agreement on textiles was of particular importance for his country and the agreement on services was fundamental for regulating trade in this most dynamic sector. The success in agreeing on an effective dispute settlement mechanism would act as a guarantee against the application of unilateral measures by more powerful trading partners. He urged all participants to fulfil the obligations they had entered into and to strengthen their commitments to trade liberalization. These were priority points for the agenda of the WTO.

59. With regard to work in UNCTAD in relation to the future of the Uruguay Round agreements, he pointed to three priority areas. One was the evaluation of the quantitative aspects of the results of the Round in market access and the impact of the dismantling of subsidies in agriculture; a second area was the identification of trading opportunities for developing countries; and finally, there was the work involved in preparing developing countries to participate fully in future negotiations on such issues as agricultural trade and trade and environment.

60. The representative of the **Russian Federation** said that the successful conclusion of the Uruguay Round and the establishment of the World Trade Organization were outstanding events in the world's recent economic history. In the long run, all participants in the international trade would gain from the Uruguay Round results. He hoped that principles of free trade and fair competition, which were reconfirmed by these agreements, would logically lead to the expansion of mutually beneficial trade among countries, and thus to strengthening of national economic and of the world economy as a whole.

61. The Russian Federation's objective was full participation in the WTO. Unfortunately, since his country had become an "associated participant" in the last stretch of the Uruguay Round, it nad not been able to take part in the negotiating process proper, and consequently to share with other countries all of its difficulties and achievements. However, the Russian Federation was interested in the strengthening of the multilateral trading system and intended to be part of such system in the not too distant future. Its membership in WTO was a necessary requirement for its genuine integration in the world economy. Such membership would contribute substantially to an acceleration and deepening of market-oriented reforms in the Russian Federation on the basis of experience accumulated by GATT. His country's membership in the WTO would be a significant event for other countries as well. On the basis of a reasonable balance of rights and obligations, the Russian Federation would offer a wide market of goods, services and investment. Its obligations as a WTO member would provide an additional warranty of stability and predictability in its trade relations and of access to its markets of goods and services.

62. At present, the Russian Federation's accession process to GATT/WTO was still at an early stage. In February 1994, a Memorandum on Russian foreign trade regime had been submitted to the GATT secretariat, and the first meeting of the Working Party on Russian Federation's accession to GATT expected to take place in early

autumn 1994. In this context, a considerable amount of work had to be done to adapt Russian legislation and foreign trade practices to the rules and disciplines of GATT and the Uruguay Round agreements. The experience of other countries in this regard was interesting and valuable. He also expected that the UNCTAD secretariat would contribute to this process through the UNDP/UNCTAD technical cooperation project on support for Russian Federation's accession to GATT.

63. The representative of **Jamaica** said that the conclusion of the Uruguay Round was a considerable achievement, providing an opportunity to create an expanded and strengthened multilateral trading system that would respond to the needs of the international trading community with greater predictability for competition. The comprehensiveness of this "single undertaking" embodied in the Final Act bore witness to the confidence of the international community in multilateralism, and in the potential for world economic growth and dynamism. The much wider participation by developing countries in the Uruguay Round than in other previous rounds and their acceptance of the results indicated that their governments were committed to a reformed multilateral trading system which could enhance economic recovery and create opportunities for the sustainable development of developing countries.

64. Referring to the far-reaching structural adjustment programmes undertaken in many developing countries over the past decade, including in Jamaica, he said that the overall aim had been to revitalize their economies and integrate them into the world economy. Global trade liberalization had become the main principle guiding the international trading system; in fact, experience showed that economic growth and development were enhanced by trade liberalism and more predictable international trade rules. He believed that the Final Act, with improved institutional arrangements under the World Trade Organization, could provide the means to assist developing countries in attaining the objective of economic growth and development. However, for many developing countries to take advantage of the expanded opportunities under the reformed multilateral trading system, the support of the international community would be required, in particular for improving their capacity to deal with the new mechanisms and instruments embodied in the Final Act, as well as in the continued negotiations to be undertaken in some areas. In this regard, he looked forward to continued support by UNCTAD through its technical cooperation programme.

65. As for the different degree of benefits to be derived from the results of the Round for various countries, he expressed concern at the erosion of trade

preferences under the Lomé Convention and at the increases of prices for food imports. He held that the prospective outcome of the Uruguay Round for developing countries, particularly ACP countries, would warrant taking measures to redress this imbalance and to support the economic and social development of these countries. These measures should include balance-of-payments assistance, which could be given through multilateral financial institutions, and financial and technical assistance which could be given through international organizations such as UNCTAD, UNIDO and FAO. He also argued that a monitoring mechanism should be established in the WTO to consider any negative effects from the results of the Round and to find ways of redressing the problems, including compensation for any losses sustained.

66. He said that his delegation shared the view that during the implementation of the Uruguay Round, UNCTAD would need to play an even more dynamic role than hitherto for policy analysis, intergovernmental deliberations, consensus building and negotiations. He endorsed fully the views expressed by the spokesman for the Group of 77 on the clearly delineated complementary functions of UNCTAD and the World Trade Organization. UNCTAD had extensive experience in many of the policy areas related to international trade and looked forward to UNCTAD's continuing to make available this expertise to the developing countries during the critical years ahead.

67. The representative of the **European Economic Commission**, speaking on behalf of the **European Union**, pointed out that the Uruguay Round agreements would lead to an unprecedented opening of markets through an overall reduction of tariffs by much more than the Montreal target of 33 per cent and a progressive integration into the multilateral trading system of trade in textiles and agriculture. The conclusion of an agreement on services, with a package of initial commitments, represented an impressive starting point for negotiations to continue on a number of sectors. The world trading system would be improved through such means as the strengthening of the rule-based system of multilateral trade, the broadening of that trading system to encompass the new areas of international economic activity, and in particular by the establishment of a stronger and more broadly based World Trade Organization.

68. The participation of developing countries in the Uruguay Round was a major historic evolution towards a more balanced world, resulting in new perspectives of partnership. The Round provided for new export possibilities for the developing countries by improving their market access, in particular in textiles. A more open multilateral trading system was beneficial to all participants - developed and

developing alike - and a system based on stricter rules would promote the rights of developing countries, including those Latin American and Asian countries which in recent years had carried out serious adjustment policies and simultaneously opened their markets.

69. Referring to the clauses and decisions in the Final Act on more favourable and differential treatment for the developing and, in particular, the least developed countries, he pointed out that the European Union had often been an initiator of these provisions. Since the least developed countries would benefit most from technical assistance aimed at helping them to augment their participation in international trade, he called on UNCTAD to focus its efforts on these countries.

70. He stated that the European Union supported the objective to get the WTO to enter into force on 1 January 1995, even though not all subjects had been finalized at the Marrakesh meeting, especially regarding services. Furthermore, the European Union considered that the globalization of the world economy, with its implications for trade flows, necessitated discussion on issues that were already dealt with in UNCTAD, such as trade and finance, restricted business practices, and trade efficiency. More generally, UNCTAD should preserve its role as an initiator of new issues.

71. Concerning the work of the WTO, he emphasized the need to ensure intensive cooperation between the WTO, IMF and the World Bank. As to the development of the interface between trade and environment, he welcomed the proposed establishment of the Committee on Trade and Environment in the WTO. As for the issues related to competition, the existing disparities in different countries were such that these issues should be tackled rapidly, particularly in the context of restrictive business practices. Finally, he observed that in the social areas there was a real lack of comprehension and information about the problems. The social question should be dealt with in as impartial a manner as possible, identifying the relevance of any action, including the need for safeguards against unilateralism and protectionist measures. Developing countries had a legitimate right to profit from their natural advantages and to apply domestic policies adapted to their level of development. The European Union aimed at examining other subjects with the same objectivity. In the end, the strength of the future WTO depended on the open-mindness of its founders, including the developing countries.

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TRADE AND DEVELOPMENT BOARD
Fortieth session, second part
Geneva, 18 April 1994

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTIETH SESSION

Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

Addendum

ITEM 3: URUGUAY ROUND (continued)

Speakers:
Mexico
Brazil
United States of America
Switzerland
Former Yugoslav Republic of Macedonia
Bangladesh
Austria
Peru
Ukraine
Nigeria
Third World Network

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 6 May 1994 at the latest to:

The UNCTAD Editorial Section
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72. The representative of **Mexico** expressed support for the suggestion that a major analysis and evaluation of the Uruguay Round be made which would allow developing countries and countries in transition to identify clearly problems and opportunities for increasing their participation in the international trade of goods and services. The successful outcome of the Uruguay Round offered the most promising prospects for the expansion of trade, services and capital flows since it established clear rules for all participants. Attention should now be focused on achieving the fullest liberalization of world trade which would bring about a fairer distribution of world income, provided that the reciprocity principle was observed. The agreements signed at Marrakesh would stimulate world economic recovery. They should be complemented by efforts on the part of the international community to intensify cooperation for development as well as by measures taken by countries individually. It was in this spirit that Mexico had entered into free trade agreements, fully convinced that they contributed to strengthening trade liberalization in general.

73. Turning to the future activities of the World Trade Organization, he said that his Government considered that they should concentrate on three areas: first, the deepening of reciprocal trade liberalization; second, improvement of multilateral disciplines in order to eliminate unilateralism and to reverse protectionist tendencies; and third, ensuring an appropriate interaction between competition policies and trade measures, so as to combat unfair practices.

74. With regard to UNCTAD activities, he said that UNCTAD had an important role to play in ensuring that full use was made of the opportunities emerging from a well-ordered multilateral trading system. Such opportunities should be analysed in UNCTAD from the development perspective, taking into account the legitimate aspirations of developing countries. In a preliminary phase, UNCTAD could undertake a detailed analysis of technical assistance needs of developing countries, in particular the least developed countries, to enable them to take full advantage of the Uruguay Round agreements.

75. The representative of **Brazil** considered that the completion of the Uruguay Round was a very important step towards the creation of a truly multilateral institution to deal with international trade. As one of the original signatories of GATT, Brazil had been participating actively in all negotiations since 1947. In accordance with its natural vocation for worldwide international trade, Brazil had played its part in the collective effort to build an open, non-discriminatory and equitable trading system.

76. Referring to the wide-ranging reform programme carried out by his Government to achieve trade liberalization, deregulation and privatization, he stated that virtually all non-tariff measures had been eliminated and the average tariff rate had been reduced from 52 per cent in 1988 to 14 per cent in 1993. The transition

from the import substitution model to a new and open model of economic growth had taken place in an entirely democratic environment and reflected a growing consensus within Brazilian society. The successful outcome of the Uruguay Round was therefore an essential part of the overall strategy to promote the competitive integration of his country in the world economy.

77. In connection with the regional integration processes of both MERCOSUR and the South American Free Trade Zone, he said that the Latin American countries were committed to an open and more supportive international environment, based on stable and fair rules, and to achieving a greater integration of their economies in the international markets. He believed that these regional arrangements were fully compatible with the principles and objectives of the World Trade Organization. Open regionalism should be seen as a complement, not an alternative, to multilateralism.

78. In the view of the Brazilian delegation, the strengthening of multilateral rules and effective restraining of the scope for unilateral action were a crucial achievements of the Uruguay Round. The results should be fully implemented and enhanced in the post-Round phase with a view to providing the necessary stable legal framework for the effective and mutually beneficial conduct of international trade. Brazil attached great importance to the agreements for the reintegration to GATT of textiles and agriculture, which were of special interest for developing countries. Reduction of trade barriers by developed countries would also have a positive impact on Brazilian trade. However, tariff reductions in a variety of products that had considerable weight in the exports of developing countries ran well below average and tariff escalation remained an obstacle to giving free rein to competitiveness.

79. As a major contribution to the success of the Uruguay Round, the developing countries had accepted the challenge of engaging in trade liberalization reform and undertaking increased obligations in the expectation that these efforts would be compensated by improved access to markets. In looking into the post-Round phase of trade relations, he was of the view that one of UNCTAD's main tasks should be to assess how effectively new trade institutions and rules contributed to development. In this endeavour, adequate cooperation and coordination should be promoted between UNCTAD and WTO.

80. With respect to the implementation of the Uruguay Round results, he held that UNCTAD would certainly have a positive role to play in many aspects, inter alia by providing technical assistance. One simple and immediate activity the UNCTAD secretariat could undertake could be the preparation of a checklist of measures, including notifications and their deadlines, that countries would have to perform

as a result of the Uruguay Round agreements. Another area where UNCTAD could make a contribution, perhaps in association with other international organizations, regional associations and WTO, could be the development of a training programme on trade protection instruments, such as anti-dumping or countervailing measures, from both an exporter and importer perspective.

81. The representative of the **United States of America** joined others in welcoming the successful conclusion of the Uruguay Round including tariff reductions of more than 33 per cent, the inclusion of trade in agriculture, intellectual property and services, and improvements in other sectors, all of which would result in developing countries' enjoying increased trade and provide for increased real income and economic development. He looked forward to future UNCTAD and ITC analysis of how developing countries could best take advantage of the Round's liberalization measures. His country believed that the international trading system had a great global market growth potential for the benefit of both developing and developed countries, since the reforms would increase global trade, stimulate foreign direct investment, provide opportunities for developing countries to fuel their domestic economies and expand foreign markets in agriculture, industrial goods and services.

82. In his view, regional cooperation agreements did not detract from what had been accomplished multilaterally and they could in fact serve as building blocks for the multilateral trading system. Its participation in the multilateral and regional arrangements had prepared the United States for the GATT exercise. Similarly, regional arrangements could help smaller economies to expand into global markets through regional markets, thus providing additional development opportunities.

83. With regard to the new issues that would be dealt with in the WTO, the United States looked forward to continuing analytical work and consensus building in UNCTAD, especially in the areas of trade and environment and competition policy. Emphasizing the importance of addressing labour standards in the WTO, he pointed to the need to ensure that working people in all countries shared in the benefits that resulted from agreements to liberalize trade and investment. Developing countries could benefit both directly and indirectly by improving their labour standards and by not competing with one another through the lowering of labour standards in order to attract investment. While the United States had no intent of using labour standards as a pretext for denying developing countries their comparative advantage based on lower labour costs, it was nevertheless concerned that trade competition based on repression of labour standards or denial of workers rights, would act as a subsidy which distorted trade and investment flows.

84. Environmental issues were a matter of high priority for his country and he looked forward to complementary work and good coordination between UNCTAD, the WTO and a number of other international institutions in this field. Having recalled the main elements of the Ministerial Decision on Trade and Environment, he said that an important start had been made in considering trade and environment together in order to ensure that their competing claims did not conflict. The real work must now get under way and produce timely results.

85. The importance of effective competition policies to the operation of a market-based system had long since been recognized in the Havana Charter and the reduction of trade barriers and the globalization of business had significantly increased the importance of effective anti-trust laws and enforcement for achieving access to foreign markets. His country therefore believed that the issue of trade-related competition policy needed to be taken up by the WTO. The United States would continue to work bilaterally and multilaterally to assist developing countries and economies in transition in their efforts to become full participants in the world trading system.

86. The representative of **Switzerland** said that the conclusion of the Uruguay Round would revitalize the world economy, with positive effects on standards of living, employment, optimal use of resources, environment and sustainable development. As far as developing countries were concerned, his authorities were convinced that the long-term result of the Uruguay Round would stimulate their economic development through increasing their exports and foreign direct investment. During the Uruguay Round, participants had realized that the specific interests of individual developing countries could not be dealt with by general solutions. In this perspective, Switzerland, in its bilateral negotiations with developing countries, had taken into account their specific needs and had renounced any attempt to obtain concessions from the poorest among them. Moreover, with respect to concessions in the area of tropical products, Switzerland had made particular efforts.

87. He believed that the least developed countries, most of which were net food importers, were at a disadvantage when it came to deriving benefits from the multilateral negotiations, as was demonstrated by their weak use of GSP schemes. The situation of the least developed countries, therefore, deserved priority attention and common approaches to ensure that they would benefit from the implementation of the results of the Round. The Ministers had recognized in the Marrakesh Declaration the need for specific measures in favour of the least developed countries. Switzerland would implement the Marrakesh decision through its bilateral development cooperation programmes and the competent multilateral organizations. Furthermore, on the basis of studies being undertaken on the

consequences of the Uruguay Round for least developed countries, the Federal Council would adapt its instruments of cooperation and development, including the Swiss GSP scheme.

88. Referring to the heavy tasks before the international community in implementing the results of the Uruguay Round, he stressed inter alia the need to prepare the ground for the examination of possible additional issues in the work programme of the WTO, such as the relation between the trading system and internationally recognized labour standards and the establishment of efficient cooperation between WTO and the other international organizations, in particular those of the United Nations system. A good distribution of tasks between WTO, UNCTAD and ITC was necessary to enable the developing countries to take advantage of the new opportunities offered by the results of the Round. As the President had stated in the general debate, WTO and UNCTAD had distinct functions which were clearly delineated in the Uruguay Round Final Act and the Cartagena Commitment. Through its principal functions of analyses, consensus building and technical cooperation, UNCTAD could make a major contribution to the follow-up of the Uruguay Round.

89. The representative of the **Former Yugoslav Republic of Macedonia** confirmed the intention of his country to become a full member of the GATT and expressed the hope that the negotiations for accession would be successfully concluded by the end of 1994. While regretting that his country, which was a developing country in transition, could not participate in the final stages of the Uruguay Round negotiations, he was confident that it would be able to benefit from the experience of other contracting parties. The agreed GATT Disciplines were very important for small countries like his own. One of the most important tasks of the future WTO would be to make sure that the agreements were observed by all countries. Unilateral actions, such as trade embargoes, should not be allowed.

90. With regard to the distribution of work between UNCTAD and the WTO, he was confident that these organizations would achieve complementarity and that duplication and unnecessary competition would be avoided.

91. As far as his own country was concerned, he recognized the need to establish on a national level the necessary infrastructure to follow the work of the WTO, but technical assistance from the GATT and the UNCTAD secretariats would also be needed for this task.

92. The representative of **Bangladesh** expressed the hope that the Final Act of the Uruguay Round would boost investment, job creation and economic reform and strengthen the rules and disciplines for free and fair competition.

Unfortunately, the concerns of the developing countries had not been adequately reflected in the Final Act although they had extended full support and cooperation to the successful conclusion of the Uruguay Round. He hoped that, in the implementation of the Uruguay Round agreements, the international community would be more responsive to the needs of countries like Bangladesh. In his opinion, UNCTAD should undertake a comprehensive assessment of the results and implications of the Round, particularly for the least developed countries. UNCTAD should also make recommendations for removing any imbalances through appropriate action, including additional trade preferences, development assistance and debt relief.

93. In the Marrakesh Declaration, the Ministers had recognized the importance of special provisions for the least developed countries and had affirmed their intention to assist and facilitate the expansion of their trade and investment opportunities. UNCTAD should therefore take follow-up action on the basis of the Marrakesh Declaration. Referring to the need to initiate considerable preparatory work and action at the country level for the implementation of the results of the Round, he believed that the new issues might be taken up in a phased manner. All the new issues might not necessarily fall within the purview of the WTO. The poor countries required sufficient time to study the implications of new issues and, in order to implement the results of the Round, substantial technical assistance would be needed by countries like Bangladesh.

94. The representative of **Austria** noting with interest the efforts of many developing countries to liberalize their trade and their increasing importance as trading partners. It was particularly encouraging that many of them had recently joined the GATT and others had submitted applications to do so. Most of them should benefit from the market access liberalization achieved so far and all from the strengthening of the legal framework and general expansion of world trade. In his view, an open, non-discriminatory, transparent and effective multilateral trading system helped to avoid unilateralism. Many agreements resulting from the Uruguay Round, including the improved dispute settlement procedures, would help developing countries and, in particular, the least developed among them to secure their rights and facilitate their integration into the international trading system. His country supported the full and active participation of these countries in the WTO.

95. In view of the importance of the textiles and clothing sectors for the balance of payments of many developing countries, he welcomed the integration of these sectors into the GATT, as well as the inclusion of services, TRIMs and TRIPs under multilateral disciplines. Moreover, although a number of developing countries had had doubts about the General Agreement on Trade in Services, the exclusion of this sector would certainly not have been in their interest. He

pointed out that the liberalization of the very sensitive agricultural sector would result in a market reduction of distortions in the world food market and was thus of great importance to those developing countries that were highly dependent on stable revenues in this field.

96. In view of the transboundary nature of environmental degradation, and the fact that adequate environmental policies were a prerequisite for sustainable development, he said that Austria endorsed international dialogue in trade and environment and believed that cooperation and complementarity between GATT, WTO and UNCTAD could secure worldwide benefits in this field. In his view, the relationships between trade and economic policies and social concerns should be looked at closely by the WTO in cooperation with ILO and other organizations, in order to avoid possible abuses of social concerns for protectionist purposes. Since practical solutions facilitating both free trade and social advancement would have to pay special attention to the needs of developing countries, UNCTAD's analytical capabilities and status as a unique forum for confidence building might be of particular relevance.

97. The representative of **Peru** said that the Final Act of the Uruguay Round was the multilateral ratification of a process of trade opening and liberalization which his country had undertaken unilaterally four years ago. This process should now be completed at the international level with wide and equitable market access for Peruvian exports. In general, the results of the Round were satisfactory. The agreed set of rules for the fair settlement of trade disputes would reduce unilateral pressures significantly. Major distortions of trade in the agricultural and textiles sectors had been reduced. A multilateral framework for trade in services had been established and it was expected that market access in this area would be improved.

98. With regard to future work in UNCTAD, he suggested that three types of activities could be undertaken: (a) identifying sectors and products for which improved access and new trade opportunities might arise from the conclusion of the Round; (b) monitoring review mechanisms, safeguard clauses, application requirements, etc.; and (c) UNCTAD should also be a forum for discussion and reflection on new issues emerging in the international agenda.

99. With reference to the social issue, he expressed concern that this issue would be used as a pretext for preserving the trade interests of certain trading partners, rather than for the legitimate defence of workers' rights which had been negotiated in the ILO.

100. The representative of **Ukraine** said that, as a result of many years of negotiations in the framework of GATT, balanced agreements had been reached which laid a solid basis for stable world economic growth. The relevant legal regulations covered not only commodity markets, but also capital markets, investment flows and intellectual property rights. One of the most significant achievements of the Uruguay Round was the agreement to establish the World Trade Organization. For countries in transition, participation in international organizations establishing the mechanisms that regulated the international markets for labour, capital goods and services was a prerequisite of the integration process. This applied first and foremost to the General Agreement on Tariffs and Trade. The standards and procedures adopted by GATT covered the lion's share of world trade and influenced the harmonization of trade regimes of most countries. Thus, the fact that Ukraine was not a member of GATT led to a considerable decrease of trade flows to the country. On the other hand, Ukraine's goods were deprived of their due place on the world markets. This also led to the deceleration of the development of non-discriminatory trade and economic relations with partner countries. The process of Ukraine's accession to GATT and the World Trade Organization was thus of great importance and it was becoming a strong stimulus for the economic and legal reforms in Ukraine.

101. He said that Ukraine was convinced that the Uruguay Round results would not diminish the importance of UNCTAD. The mandate of UNCTAD enshrined in the Cartagena Commitment defined its role and tasks in the area of promoting development through improvement of the system of international trade and economic cooperation. UNCTAD should become a political instrument to ensure the balance of trade and economic interests between developed and developing countries. The main direction of the UNCTAD activity should be the elaboration of optimal trade policies in the interest of developing countries and countries in transition, as well as the provision of political and technical support to these policies. It was also important to make the programmes of technical assistance more concrete and better oriented towards the specific interests of both developing countries and countries in transition. Ukraine needed such support urgently, especially in the harmonization of standards and norms of foreign trade in accordance with the GATT regulations, the process of acceding to GATT, the access to foreign markets for Ukraine's and their protection on these markets. He hoped that Ukraine would receive the necessary technical and advisory assistance from UNCTAD.

102. Finally, he recalled that eight years had elapsed since the Chernobyl catastrophe which had proved to be a huge ecological and technological international disaster. The consequences of this catastrophe were of a lasting nature and their real magnitude could not be established yet. Ukraine hoped that the international community and the United Nations institutions, including UNCTAD,

would continue to make contributions to the international cooperation aimed at alleviating the consequences of the Chernobyl disaster.

103. The representative of **Nigeria** said that the scope of the agreements embodied in the Final Act of the Uruguay Round offered challenges and opportunities for developing countries, particularly the African countries. It should be recognized that immediate gains from trade liberalization would be limited, and even could be negative, owing to erosion of margins of preference. This problem was now widely acknowledged, and if it was not addressed in concrete terms, including through compensatory mechanisms, the gains expected from the Round would bypass his country. Nevertheless he believed that, in the long run, reduced and complete elimination of MFN tariffs offered a far more guaranteed and secure market access than did preferences. In this context, Nigeria fully subscribed to trade liberalization in the Uruguay Round and to strengthened rules to underpin it. Africa needed more imaginative long-term solutions to overcome its competitive disadvantage deriving from dependence on primary exports, a weak industrial and export base and technological backwardness. Without measures to improve supply capabilities in higher value-added exports, to achieve product market diversification, and to increase agricultural production, strengthened trade rules could not be expected to offset the disadvantages facing African countries, which risked further marginalization in the new international trading system if decisive action was not taken to meet these urgent needs in the form of debt relief, targeted improved market access and increased foreign direct investment flows.

104. Another area of concern was the likely negative impact of agricultural trade liberalization on net food-importing countries. African countries lacked the capacity and resources to take advantage of the opportunities that the agricultural reform programme gave rise to. A combination of food aid in grant form and financial and technical assistance to boost agricultural production and productivity would be indispensable in the short and medium term to offset the negative impact. Otherwise, any gains from the agricultural trade liberalization would again bypass Africa.

105. Both the WTO and UNCTAD would have an important role to play in providing technical assistance in building and strengthening the institutional and human resources capacity in order to assist African countries in the implementation of the results of the Uruguay Round. UNDP/UNCTAD's technical assistance to developing countries was outstanding and should be seen as a significant contribution to the success of the Uruguay Round. He requested that UNCTAD, with the financial support of UNDP and other donors, put in place a programme of assistance for Africa, similar to those already operational for Asia/Pacific and Latin America and Caribbean countries. Finally, he called on UNCTAD to continue its technical

assistance in analytical work, particularly on the proposed new issues to be included on the work programme of the Preparatory Committee for WTO.

106. The observer for the **Third World Network** said that developing countries had already paid the price of accepting the new Uruguay Round terms in different areas of interest to the developed countries without obtaining in exchange satisfactory conditions of market access, and there was a substantial contraction in policy options and instruments open to developing countries for development and trade. For the South as a whole the outcome of the Round was imbalanced and unsatisfactory. The Uruguay Round created level playing fields for developed countries and their corporations but raised hills and mountains for most developing countries. As a result, several of the development options for developing countries and their peoples were closed and others made more difficult. He was concerned that the major countries had succeeded in their strategy of combining liberalization abroad with protectionism at home to defend their own interests. This was particularly true in the "new" areas, such as services, investment measures and intellectual property. They had succeeded in demanding reciprocity from developing countries in return for market access for textiles and clothing. The phasing out of the Multifibre Agreement was portrayed as a "concession" to the South, which should be reciprocated.

107. Many developing countries felt disappointed as they had obtained far less than they had expected, in view of the concessions they had made in accepting the new disciplines. He hoped that UNCTAD would conduct a detailed study of the outcome for developing countries in the market access aspect of the Uruguay Round as well as an analysis of the impact of the Round on developing countries and particularly the least developed countries. He also hoped that the UNCTAD secretariat would come up with proposals for effective and continuous monitoring of the effects of the Round on developing countries, for identifying the net losers, and for the means to offset these losses, including through compensatory contractual mechanisms.

108. Many developing countries had signed the Uruguay Round Final Act in the belief that a strengthened multilateral rule-based trading system as institutionalized in the new WTO would guard against nationalist protectionism and unilateral trade sanctions from the North. However, it was still not clear whether the United States would adhere to the primacy of multilateralism under the WTO, or whether it would continue to use unilateral threats or actions, ignoring the WTO's rules. If the latter were to prevail, and Europe and Japan were to create their own unilateral instruments, the South, not having the power of retaliation, would face the worst of all possible worlds. The WTO could be used to discipline developing countries in areas such as intellectual property and investments while

it would be powerless to discipline Northern countries for taking unilateral and protectionist measures.

109. He expressed concerned at the attempt of some Northern governments to introduce new issues into the World Trade Organization such as trade and labour standards, and trade and the environment. In his view, some Northern countries were trying to extend the practice - prevalent during the Uruguay Round - of bringing areas of activity which were not directly trade linked and directly distortive of trade under the control of GATT and the WTO through the simple but devastating device of attaching the prefix "trade-related" to these new issues. By introducing these issues the North was attempting to evade its various obligations, including those of bearing the costs of transition to global sustainable development and ensuring better market access for the South. He argued that, because of its narrow trade focus and its lack of jurisdiction and competence, WTO could not be an appropriate coordinating agency to handle the complex links between trade, environment and sustainable development; and between trade and labour standards. A more suitable forum for integrating these issues would be the United Nations and its agencies such as UNCTAD, the Commission on Sustainable Development, and the ILO. The United Nations should thus provide the forums in which the issues could be discussed in the broader perspective of sustainable and human development, and in a more open and democratic manner. At the end of this process, the WTO could be given the mandate to handle those aspects for which it was deemed to be competent or appropriate.

Chapter II

REVIEW AND EVALUATION OF WORK PROGRAMMES (MID-TERM) */

(Agenda item 7)

1. In the course of the second part of the fortieth session of the Board, the Mid-term Review Informal Working Group held two meetings - the 5th and 6th meetings - under the chairmanship of the Officer-in-charge of UNCTAD.

Action by the Board

[To be completed]

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*/ Item to be concluded at the resumed second part of the fortieth session of the Board (25-27 May 1994).

Chapter IV

ARRANGEMENTS FOR THE CELEBRATION OF THE THIRTIETH ANNIVERSARY OF UNCTAD

(Agenda item 10)

[To be completed]

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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTIETH SESSION

Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

Addendum

ITEM 12: OTHER BUSINESS

Terms of reference for the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament

Speakers: Ambassador Aktan (Turkey)
President
Greece (for European Union)
Chile
Peru (for Latin American and Caribbean Group)
Egypt
Ukraine
Sweden
Syrian Arab Republic
Russian Federation
Japan
Algeria
China

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OTHER BUSINESS

(Agenda item 12)

Terms of reference for the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament

1. At the 839th meeting, on 28 April 1994, the **President of the Trade and Development Board at its thirty-ninth session**, Mr. Gündüz Aktan (Turkey), reported on the further consultations which he had conducted on this subject on 26 April 1994. It was with regret that he had to report that, once again, the consultations had failed to reach a consensus on the terms of reference of the Ad Hoc Working Group. It was the general view that time was running out before UNCTAD IX, and that there was no use in following the well-trodden path of prevailing upon the Presidency of the Board to attempt to find a way out of the impasse. He stated that the paper he had presented on 19 April would be maintained until the end of this process since it represented the work of the consultations from the beginning.

2. The **President of the Trade and Development Board** expressed appreciation to Mr. Aktan for his report and the efforts he had made. His task had not been easy. The issue was a very complex one, as had been revealed in the various concerns expressed by delegations in the consultations. The Board must now decide how to proceed with this matter.

3. He recalled that the Board, in its decision 399 (XXXIX), had established the Ad Hoc Working Group to Explore the Issue of Structural Adjustment for the Transition to Disarmament. The fact that the Board had not yet agreed on terms of reference did not undo that decision of the Board. Consequently, the Ad Hoc Working Group, though it did not yet have terms of reference and had not yet been convened, could still be considered as part of the intergovernmental machinery of UNCTAD. The future and structure of the subsidiary bodies of the Board were to be discussed within the framework of the mid-term review at the resumed session of the Board in May 1994. This meant that the question of the Ad Hoc Working Group would also be considered at that resumed session. The mid-term review would therefore have before it the report of Mr. Aktan, as well as his latest draft terms of reference dated 19 April 1994, and the Board would be able to draw its conclusions at that time. However, a number of delegations had proposed that the issue should be included as an item on the agenda of the Autumn session of the Board, so that a substantive discussion could take place within the framework of the Board itself. This proposal could be accommodated if the Board so wished. The agenda for the Autumn session was also to be reviewed at the Board's resumed session in May, which

meant that further discussion on the Ad Hoc Working Group and on the inclusion of an item in the Board's Autumn session could take place at the same time. If this procedure were acceptable to the Board, he would in the meantime request Mr. Aktan to continue his efforts with his consultations and to prepare the ground for an acceptable decision when the Board held its resumed session from 25 to 27 May 1994.

4. All delegations that participated in the following discussion on this item expressed their deep appreciation to Mr. Aktan for the very great efforts he had made to secure agreement on the terms of reference for the Ad Hoc Working Group, praising his keen diplomatic skills and inventiveness in the face of a very difficult assignment.

5. The spokesman for the **European Union** (Greece) observed that the latest text put forward by Mr. Aktan was, in most of its parts, along the lines of the text of 3 May 1993 and, in several instances during the series of consultations, the European Union had stated that it could work on the basis of this text. However, substantial modifications introduced during consultations with UNCTAD member States had made it clear that a consensus could not be achieved. Moreover, the time factor had to be taken into consideration. In addition to time, substantial resources had already been consumed for the consultations themselves, which could have been devoted to real work on the subject. Therefore, the European Union considered that it was high time for this sovereign body, the Trade and Development Board, to decide, in accordance with paragraph 99 of the Cartagena Commitment, on an alternative course of action to the one introduced during the thirty-ninth session which, unfortunately, had proved to be inoperative. Paragraph 99 of the Cartagena Commitment referred discussions on the subject under question to the intergovernmental machinery of UNCTAD. The European Union proposed that the decision taken at the thirty-ninth session of the Board be modified by including in the provisional agenda for the first part of the forty-first session of the Board an item which would read as follows: "National experiences of conversion from military to civilian production". During the slot for this item, if it were to be included in the agenda, a panel of experts would be invited to contribute to the discussion as was the practice for other items on the Board agenda. He hoped that this proposal would meet with the approval of other delegations. It was made in a positive spirit and with great respect of the work undertaken by Mr. Aktan during the past year. It was obvious that the apparent deadlock could not continue and this proposal should be viewed as a step in response to the overall needs and efforts of streamlining the work of UNCTAD.

6. The representative of **Chile** expressed regret that the discussion of this topic had been politicized by some delegations. The mandate given for the Working Group in the Cartagena Commitment concerned the use of resources released by

disarmament for the productive benefit of the developing countries. There was nothing political about this mandate. It was certainly not relevant to drag into UNCTAD's activities matters that were dealt with by the General Assembly or the Committee on Disarmament. In the light of the discussions that had taken place, he agreed that this subject should be referred to the Board at its resumed session in May on the mid-term review. At its thirty-ninth session, the Board had taken a decision to establish the Working Group and he considered that the resumed session of the Board was competent to take final action on the matter. Accordingly, Chile could not agree with the proposal by the European Union that this item be deferred until the Autumn session of the Board.

7. The spokesman for the **Latin American and Caribbean Group** (Peru), stated that his Group would prefer to see this question dealt with at the resumed session of the Board in May. He agreed with the summary made by the President and he sincerely hoped that the Board would be able to take a decision on this question at its resumed session.

8. The representative of **Egypt** recalled that, at the fifth executive session of the Board on 8 April 1994, her delegation had urged that this item be dealt with at the resumed session of the Board in the context of the mid-term review of the Working Groups and the establishment of new working groups. At that time the representative of Chile had rejected that idea, wishing to see the matter dealt with at the current session of the Board. The Egyptian delegation had gone along with that course of action but, in view of the deadlock which had now been reached, her delegation did not wish to see this matter discussed at the resumed mid-term review session and consequently supported the proposal made by the European Union.

9. The representative of **Ukraine** said that his delegation was not prepared to discuss specific proposals on substance at this stage. He felt, however, that the elaboration of forms and methods for dealing with this subject should take place in the context of the mid-term review of UNCTAD's activities and mandate. The conversion of military resources to civilian uses was of interest to many countries and it should therefore occupy a prominent place in UNCTAD's activities.

10. The representative of **Sweden** expressed regret at the failure of the consultations. He agreed with the European Union that negotiations were now at an impasse and he supported the EU proposal on this matter.

11. The representative of the **Syrian Arab Republic** expressed his delegation's support for the statement made by the representative of Egypt and agreed that this question should be dealt with at the Autumn session of the Board.

12. The representative of the **Russian Federation** said that his delegation had been willing to cooperate in the effort to reach consensus on the documents submitted to the Board on this item. The first paper presented by the secretariat had been a balanced document and in his view could have provided a basis for agreement. Mr. Aktan's revised text was also acceptable but again there had been no agreement. However, he did not share the pessimistic view expressed by the representative of Egypt that negotiations had now reached a deadlock. He was convinced that, in the end, logic and cooperation would prevail.

13. Referring to the two proposals put forward on this item, he said that the first proposal made by the European Union, namely to defer the item to the Autumn Board, would result in a whole year having been wasted. It would also violate a previous decision taken by the Board and thus set a bad precedent. On the second proposal put forward by Chile, namely that the matter be taken up at the resumed session in May, his delegation was flexible and would cooperate to find a solution. At the same time he wished to propose, as a third possible option, that a group of high-level experts be convened to study the parameters of this issue in order to facilitate its future consideration in UNCTAD. Such a group would be asked to make recommendations to the Board at its Autumn session. He urged delegations to give due consideration to these three options. The Russian Federation would be prepared to join in a consensus on any of them. Above all, the decision taken by the Board at its thirty-ninth session must be implemented.

14. The representative of **Chile**, noting the proposal by the Russian Federation for the establishment of a group of high-level experts, expressed the view that a decision on this should be taken by the Board at its resumed session in May.

15. The representative of **Japan** recalled that, at the fifth executive session of the Board, delegations had emphasized the importance of dealing with this item in the context of the mid-term review, i.e. in the framework of the review of all UNCTAD activities. He could therefore not understand why some delegations felt that the question could not be taken up at the resumed session in May. He added that his delegation agreed with the Russian Federation that previous decisions taken by the Board must be honoured. Finally, he expressed support for the proposals formulated by the President.

16. The representative of **Algeria** cautioned against dramatizing this issue. It was true that the subject-matter was new and complex, and it was probably for that reason that the consultations had failed to reach agreement. Nevertheless, the mandate given by the Cartagena Commitment remained intact and if it was not possible to achieve consensus at this stage it might well be possible to do so

later. In this context, she recalled the relevance of paragraph 51 of the Cartagena Commitment on the sequencing of work.

17. Regarding the proposals that had been made, she believed that further discussion of this item at the resumed session in May would be premature since it was unlikely that there would be a rapid evolution in people's thinking by that time. She therefore supported the compromise proposal of the European Union that the matter be taken up at the Autumn session of the Board. She also agreed that the proposal made by the Russian Federation for a high-level group could facilitate progress. The composition of such a group might be taken up at the resumed session of the Board in May.

18. The representative of **China** recalled that China had already stated that the failure so far to resolve this issue was due to the fact that delegations placed diverse interpretations on the provisions of the Cartagena Commitment and differed on how to implement them. Great efforts had been deployed to reach agreement on this complex task. In general he agreed with the comments made by the representative of Algeria and his delegation was ready to consider new proposals and initiatives that would lead to a satisfactory solution.

19. The spokesman for the **European Union** (Greece) said that, with regard to the notion of adhering to mandates and not setting bad precedents, it was important not to exclude any solution and, if necessary, to have the courage to admit that a mistake had been made at the thirty-ninth session of the Board. The European Union, for its part, was ready to correct such a mistake.

20. The representative of **Chile** said that he could not accept the European Union's contention that the Board might have committed a mistake at its thirty-ninth session. He pointed out that, since it was the Conference which had called for this subject to be dealt with in UNCTAD, one could not fault the action taken by the Board.

Action by the Board

21. At its 839th meeting, on 28 April 1994, the Board decided that this item would be discussed at the resumed second part of the fortieth session of the Board dealing with the mid-term review, in May 1994. The proposals made by the European Union and by the Russian Federation would be taken into account at the mid-term review. Noting that the provisional agenda for the first part of the forty-first session of the Board would also be discussed at the resumed session in May, the Board agreed that it would be able to decide then whether to refer the item forward to the first part of its forty-first session.